



Department of State
Overseas Buildings Operations
Industry
Advisory
Panel
September 14, 2006



AAI AP-091406

UNITED STATES DEPARTMENT OF STATE
OVERSEAS BUILDINGS OPERATIONS

INDUSTRY ADVISORY PANEL MEETING

Washington, D. C.

Thursday, September 14, 2006

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2 (9: 35 a.m.)

3 GENERAL WILLIAMS: I want to welcome you
4 to the Department of State, Overseas Buildings
5 Operations Industry Advisory Panel. While you're
6 here, I ask that you display your visitor's badge
7 at all times, have it above the hips.

8 MS. PINZINO: Hello, good morning. If
9 everyone could just be seated we're just about
10 ready to begin. I just wanted to make a few
11 administrative remarks.

12 First of all, welcome to the third
13 Industry Advisory Panel for 2006. My name -- for
14 those of you who don't know me, I am Gina Pinzino,
15 the External Affairs Manager in OB0, and I am your
16 point of contact, your channel to OB0.

17 This morning's session will begin
18 shortly. General Williams will introduce some new
19 panel members, and then we'll provide a
20 presentation. There was a bright yellow sheet on
21 your chair. I ask that you kindly take a look at
22 that. There are some security requirements for

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1 the visitors that you need to be aware of, mainly
2 that all visitors must be escorted throughout the
3 facility at all times. So, please be mindful of
4 that.

5 We will break for lunch at approximately
6 o'clock today and reconvene at approximately 1:30.
7 Should you need to be excused at any time or need
8 to actually leave the session, we have staff
9 members outside of these doors who can escort you
10 to the 23rd Street entrance. Upon departure, we
11 ask that you please go with a Department of State
12 employee to escort you to the 23rd Street
13 entrance.

14 That employee then is responsible and
15 has to ensure that you pass your visitor's badge
16 to the security desk, so no other exit will be
17 allowed for this meeting.

18 And with that, I thank you for your
19 participation, and I hope you enjoy today's
20 session.

21 General Williams.

22 GENERAL WILLIAMS: Good morning.

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1 Delighted to see everyone at our industry panel
2 today. This is very -- it's very important,
3 because this panel and the deliberation that will
4 take place today is center to everything that we
5 do in the Overseas Buildings Operations here in
6 the State Department.

7 I would like, first, to welcome, first
8 of all, our panel, those members who have served

9 with us before, and again we would like to welcome
10 new members. I'll have more to say about the new
11 members in a specific way when we commence with
12 the portion of the panel's work.

13 Also, I would like to welcome, also, all
14 of the visitors that are situated around this
15 table. As you know, we have tried to make this
16 process as transparent as possible so that as many
17 as the room will fit we try to ensure that you
18 have an opportunity to watch and observe the
19 process.

20 We'd like to also welcome our recorder.
21 We are delighted to have that firm back again. As
22 you know, we have court reporter-type minutes to

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1 make certain that we do not misrepresent what
2 anyone said and like to record it all. So, again,
3 welcome.

4 Also, I would like to welcome our staff
5 here in a lot of numbers, and they'll be -- some
6 will be participating this morning and you'll get
7 to know them better.

8 As an opening statement, I would just
9 like to say this is probably one of the best
10 forums of good government that I have seen, and I
11 have been around government a day or two, so I do

12 understand a little bit about how the government
13 functions. And when you lash that up with the
14 private sector, and having spent some time there
15 as well, I'm able to make that statement. You
16 don't have to believe it, but I'm just telling you
17 this is a good forum of government.

18 The panel has been rated -- this
19 Industry Advisory Panel -- for those who are new,
20 and has been rated one of the best in government
21 by the entity that rates programs and advisory
22 groups.

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1 We have a big agenda today. It's a big
2 agenda because we are going through examining and
3 working through some of our transformational work.

4 Before we get started this morning with
5 the panel, as I do at each one of these, I want to
6 give you an update on where we are, because once
7 we leave here today you will have absolute full
8 knowledge as to where the Overseas Buildings
9 Operations -- status of all of its projects and
10 its comings and goings as they relate to the
11 industry.

12 The first slide that you will see on the
13 screen talks about the mission of the mandate.
14 Our facilities play a very critical role in our
15 Secretary of State's Transformation Diplomacy

16 initiative. For those of you who have been
17 following some of the speeches that the Secretary
18 has made, obviously over the last 18 months she's
19 been talking about transformation diplomacy.
20 She's given speeches at the academic level,
21 government, etc. So, we have to very delicately
22 put in place and improve the diplomatic platforms

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1 overseas, and obviously for us that's an embassy
2 or consulate or something that houses people in an
3 office way.

4 This next slide, then, kind of gives you
5 some quick facts. Those of you who have not been
6 here for the full ride would only know this
7 function by what you see today, but it has come a
8 long way since 2001. The State Department was
9 delivering one embassy every year or so, and this
10 is full of the records totally supported by the
11 GAO and others in 2001. At the conclusion of
12 2005, the delivery of the result was 12. OMB has
13 been actively overwatching what we are doing here,
14 and rightly so.

15 And looking at it from the standpoint of
16 being an effective organization, this program has
17 been rated and has one of the highest ratings in
18 government -- a grade of 97.

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19 This next slide will speak to the
20 operating philosophy of the organization. We
21 started in 2001 on the foundation of a
22 results-based concept. Sort of a page out of the

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1 private sector was a little bit awkward for
2 government, but we were able, with some help of
3 the Congress and OMB, to put in place the kind of
4 arrangements that we needed to make this go.

5 It's all tied to performing, being
6 accountable, and operating at a disciplined mode,
7 and obviously from all of that we should gain some
8 credibility. Communication and transparency are
9 the two major pieces of help that we have put in
10 place, and it has been our mantra, and we hope all
11 of this will create a level playing field for our
12 contractors.

13 This next slide will give you a little
14 bit of history on how we have evolved. It shows
15 15 projects listed on this slide, which indicate
16 that they are complete, and that's a very
17 significant operation.

18 Moving next to the next slide, this
19 picks up another 15, which gives us a total of 30,
20 and I'm not going to go down each one, but
21 obviously you can observe that. What all that
22 means in the context of what the real mission is

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1 about -- and that's moving our people overseas out
2 of harm's way -- we have almost 10,000 persons now
3 in safe facilities as a result of that work.
4 This next slide will lay out what we
5 currently have under management. As you can see,
6 there are some 36 projects under management, and I
7 need to just stop here and say a word or two about
8 the 36, because by Christmas 10 of those will go
9 on the completed side, and I hope all the
10 contractors who are working for me hear this very
11 well -- by Christmas they will go on the completed
12 side: Astana, No. 3; Bamako, No. 6; Belmopan, No.
13 8, Bridgetown, No. 11; Freetown, No. 13; Kingston,
14 No. 18; Lomé, No. 19; and for our USAID
15 facilities, No. 31, Kampala; No. 35, Nairobi in
16 Kenya; and No. 36, Phnom Penh. Those 10 new
17 facilities will be added to the four that we have
18 already completed, and that will give us,
19 obviously, an excess of one dozen for 2006. So,
20 you can say you heard it here first, that that's
21 where we are headed. That's a tall order.
22 There's a lot of work to be done between now and

1 that time, but that's where we are.

2 This slide shows what is on our plate --

3 the 36 that I mentioned -- and that will be

4 reduced to 10. But before the end of this month

5 we are scheduled to add another 13 or 15, so we

6 could have a portfolio of 50 under construction as

7 we go into the first of October. The amount will

8 hover around three and a half billion dollars.

9 It's at 3.2 today, and you can see the rest of our

10 responsibilities listed below. But what's

11 important in addition to having this building

12 responsibility, we're responsible for 17,000+

13 properties around the world. That's all of the

14 business that we must do to maintain and keep

15 those properties in good shape.

16 The new facilities that I talked about

17 that will be awarded this year, that is, by the

18 end of this month -- we'll have one that will not

19 go before the end of the fiscal year, and that's

20 Karachi, because it was a late edition, but it

21 will be awarded by Christmas, and the Congress

22 understands that it's out of the 2006 program. As

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1 you can see, these are in tough locations, but

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2 that's what our business is about.

3 To bring a little bit more clarity on
4 this next slide, these are the two completions
5 that we accomplished since our last Industry
6 Advisory Panel:

7 Tirana in Albania; Dushanbe in
8 Tajikistan. These are the two openings that we
9 accomplished.

10 We also had a very successful open
11 house, and this was something very new for
12 industry, because we have an Industry Day each
13 year. We meet with several groups, and the like,
14 through the year.

15 But we decided to do something a little
16 bit different. We had a forum -- a clarification
17 forum -- as we were fine-tuning some of the
18 transformations we were making, and there seemed
19 to be some appetite for an open house. We held an
20 open house for new private sector partners, and we
21 had over 250 at this open house. It was well
22 received, and we have plenty of interest in our

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12

1 work.

2 Also, we have achieved another rating,
3 which is effective as well, on our compound
4 security side of the house. It's an 87 percent by

5 OMB.

6 As most of you know, in 2005 we spent
7 most of that time frame from the strategic
8 management point of view thinking about new ways
9 to build and new ways to go after our work, and
10 this strategic transformation was driven by the
11 fact that there were shifting world conditions,
12 and to ensure that we could continue to get it
13 right we have to make some transformations in our
14 critical thinking as well.

15 This next slide speaks to the changes
16 that put us into that transformation mentality.
17 Several wars were ongoing. You know them.
18 Tougher and unsettled issues in Africa and Central
19 Asia, in addition to the wars -- the big wars that
20 you know about. There were small activities in a
21 lot of these other regions.

22 Tighter budget and cost control is at

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13

1 center stage, and that drives a lot of the things
2 that we do, and industry, I'm sure, understands
3 that. Oversight activities were beginning to
4 become more pointed. Questions about
5 accountability in performance. You know all of
6 the issues relating to -- that happened in the IT
7 world, and the like.

8 Fortunately, we focused on
Page 11

9 accountability in performance early on, so we had
 10 it right. Work force management began to emerge
 11 as in a dominant issue to talk about. Processes
 12 and systems constraints and all the rest. So, we
 13 had to begin to think about whether or not we had
 14 it right in terms of a process. And that is
 15 ongoing. It will be a major roll-out at our
 16 Industry Day on how we are going to look at our
 17 business 2007 and beyond. We threw the
 18 transformation out. Also enhanced communication
 19 with our industry partners. I've already talked
 20 about that through forums and open doors and etc.

21 Following the new ways to think, new
 22 ways to build transformational theme, what we will

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14

1 be doing, as I've mentioned, in FY07 is
 2 fine-tuning the concepts that we laid out. We'll
 3 tackle five of them today. This will make the
 4 total around 15 that we've looked at. And then,
 5 of course, 2007 we're going to start looking at
 6 our operating processes with a view toward
 7 streamlining them and reducing the touch time that
 8 we will have on these processes.

9 In other words, we will go to lean
 10 management. We will be looking at improving the
 11 flow, and of course we will continue to emphasize

12 proactive business initiatives.

13 We now have a risk allocation process in
14 place. We have simply removed all the fuzz around
15 risk, who has it, and how we intend to deal with
16 it.

17 It is public. It is known by everyone
18 who's interested in knowing that.

19 We have to look at the second issue
20 because our government's looking at it. Better
21 communication everywhere, and of course we'll
22 continue to reach out at the very lowest level of

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15

1 industry that we can find. Not just big meetings,
2 but we want to look all the way down and find the
3 absolute best private sector knowledge that we can
4 come up with.

5 Okay, now, that's sort of where we're
6 going, where we've been, and I'm going to give you
7 a little walk-through, now, on what we have
8 produced, because it's enough to get up and
9 chatter about what you have done, but it's a
10 little bit better if you can show it.

11 Okay, this is Dohar in the Emirates,
12 done. The next one is Lima, Peru in, obviously,
13 South America -- it's done. Tunis in Tunisia,
14 northern tip of the continent of Africa -- it's
15 done. Dar es Salaam. As you know, this is where

16 the bombings were which started all of this
17 process we have now in Tanzania -- it's done.

18 And a very large annex on the same
19 campus. This happens to be the MSGQ dormitory
20 quarters, and it's followed by the USAID large
21 building, all on Tanzania.

22 The next one is Nairobi, Kenya, and you

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1 can see Nairobi in the pictures there, and I
2 should point out that, as you know, there were
3 bombings within an hour of each other in 1998
4 which caused this whole revisit of security.
5 These buildings were opened one day after each
6 other. This is the MSGQ on Nairobi, Kenya, and
7 that's followed by this very large annex, which I
8 told you will be open before Christmas this year.

9 Istanbul, Turkey, is open. Zagreb in
10 Croatia is open. Abu Dhabi in the Emirates is
11 open.

12 Tirana, I just mentioned to you, was
13 open the last couple of months. And this is the
14 rest of the annex. Sofia in Bulgaria is open.
15 Yerevan in Armenia is open. Abidjan in Côte
16 d'Ivoire is open.

17 Abuja in Nigeria is open. Luanda in
18 Angola is open. Cape Town, South Africa -- very

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19 large consulate -- is open. Yaoundé in Cameroon
20 is open.
21 Kabul, Afghanistan -- a word here. We
22 have opened phase 1, which is a hardened portion

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1 with housing. Phase 2 -- and these are some
2 pictures which show it. As a Phase 2 which
3 follows, which has some support and recreation
4 activities, they will be done -- this work will be
5 done before Thanksgiving.

6 Phnom Penh in Cambodia is open.
7 Frankfurt -- it's a remake of the '97 General
8 Hospital -- is done. Tashkent in Uzbekistan is
9 done. Tbilisi in Georgia, next door to Russia --
10 is done. Conakry, Guinea in West Africa is done.
11 Dushanbe in Tajikistan is done.

12 Astana in Kazakhstan will be done before
13 Christmas. Bridgetown in Barbados will be done
14 before Christmas. Freetown in Sierra Leon will be
15 done before Christmas. Bamako in Mali, West
16 Africa, will be done before Christmas. Belmopan
17 in Belize in Central America will be done before
18 Christmas. Kingston in Jamaica will be done
19 before Christmas.

20 We are doing something here on a very
21 unique project. We don't do a lot of this, but we
22 are engaged in this one. This is one of the

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18

1 largest hotels that was built a few years ago in
2 Kingston. It ran into some financial difficulty.
3 We bought the hotel. It happened to be on the
4 highest point of land in Kingston, and we have
5 converted it into a high-end apartment complex for
6 our people and named it the Colin L. Powell
7 Residential Plaza. As you know, the former
8 Secretary originated from Jamaica, so it was
9 perfectly fitting to work through this.

10 Athens, Greece is a 2006 open. Lomé in
11 West Africa is a before-Christmas open. Accra in
12 Ghana, 2006. Managua in Nicaragua is a 2007 open.
13 Katmandu in Nepal, 2007. Panama City in Panama,
14 '07. Algiers, early part of '08. Rangoon, as you
15 can see now, 52 percent complete.

16 Port-au-Prince in Haiti moving along.
17 Had a tough start there because of all the
18 insurrection that was taking place, and still
19 tough in that location.

20 Berlin in West Germany. Just need to
21 make a point here that -- 35 percent complete, but
22 it's all relative, because this was stuck in the

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1 mud for years until a lot of work and personal
2 work on the part of Secretary Powell and others.
3 We were able to unjam this about three years ago
4 and so it's off and running, and that makes the
5 Brandenburg Gate now trimmed out and complete.
6 Qui to in Ecuador, ongoing. Skopje in
7 Macedonia, ongoing. Mumbai in India, ongoing.
8 Beijing -- it will be the second largest
9 complex -- diplomatic complex our government has
10 ever built. We're on a downhill run toward
11 completion, although you see 39 percent complete,
12 but that has to do with a lot of things. But just
13 trust me, spring of '08 we will open this.
14 Baghdad. For obvious reasons there are
15 no photographs, but I just need to tell you a
16 couple of things about Baghdad. We use the
17 Baghdad project. It is the largest diplomatic
18 facility that our government has built to date and
19 probably will ever build. We're using a lean
20 construction technique. We got out front on this
21 knowing that this was going to be something we
22 were going to implement and wanted to try it as a

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1 separate project. It is working extremely well.
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2 It's a great management team. It's a lean team,
3 but it's the right people.

4 They have major challenges every day,
5 you know, like somebody getting blown up or
6 whatever around them, so it's not the everyday
7 business. Slightly over 50 percent complete,
8 close to 60. It is at budget. Eleven months to
9 go, and there's 24 months on the clock, and it
10 will open. It will open in August of 2007. The
11 construction quality is superb.

12 This next slide shows that we have a
13 tough road ahead. We have the Beiruts. You know
14 what has just happened in Lebanon, but we are
15 going back in.

16 We just got all the restrictions lifted,
17 so we're at a fast track, now, to get that project
18 framed up, because our people need these hardened
19 facilities. It will be a mini-Baghdad from the
20 standpoint of -- very mini -- from Baghdad, but
21 much of the same requirements that we had in
22 Baghdad we'll have here.

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1 We'll be doing housing, building a very
2 large complex but very much scaled down from what
3 we're doing in Baghdad.

4 Karachi. Another very tough area. You

5 know, we lost one of our own there several months
6 ago, so it's where things are happening.

7 Addis Ababa. Way out. And, you know,
8 it's friction there between the two countries.

9 Khartoum. We are currently under
10 construction in Khartoum, and that project is
11 moving along.

12 And we will be going into Tripoli at
13 some point in time. These are tough areas, and
14 that's what the future road looks like.

15 Okay, that covers my orientation. That
16 is the update. You know now what every senior
17 member in OBO knows, and so you can help us tell
18 the story.

19 Yes, Lee.

20 MR. EVEY: You said there was an attack
21 recently in Syria.

22 GENERAL WILLIAMS: Um-hmm.

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1 MR. EVEY: I wonder -- (off mike). Have
2 you got any feedback on the attack (off mike)
3 learning or (off mike) --

4 GENERAL WILLIAMS: Not any lessons other
5 than the fact that our security -- what we are
6 doing with our embassies seems to be holding well,
7 and that's about all I can say at the moment,
8 yeah, but there's no issue from the standpoint of

9 what is included in our package to Bill (?) that
10 would cause us to change anything.

11 Okay, are there any other questions?

12 Okay, we will now proceed with our panel, and I'd
13 like to begin by, first of all, recognizing our
14 panel members, and when I call your name, if you
15 would just raise your hand so that those who have
16 not met you before or need to be reacquainted,
17 they will know who you are.

18 Ralph Ellis Lee Evey Steve Kirk And we
19 have -- where's Greg? Greg Thomopoulos, okay.
20 Okay, now, joining us for the first time as
21 members are John Barotti -- John comes from the
22 Clark Construction Company, and he's also

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1 representing the Association of General
2 Contractors; Matt Wallace -- he's not here yet.
3 Is John Pawulak here? Okay. And, let's see.
4 What about Ed Denton?

5 Okay, good. These are our new members.
6 They come to us with great credentials. As you
7 know, we attempt to keep this panel very, very
8 balanced so that we've got a representative around
9 the table that can speak to most things.

10 Matt Wallace?

11 MR. WALLACE: Yes, sir.

12 GENERAL WILLIAMS: Okay, good, you just
13 got introduced.

14 (Laughter)

15 GENERAL WILLIAMS: Okay, okay, and other
16 than having to buy lunch, you're in good shape.

17 (Laughter)

18 GENERAL WILLIAMS: There's a lot of
19 people here I see. Okay, yeah.

20 Okay, delighted to have you, Matt. We
21 realize that there's some weather this morning and
22 people had a little problem -- those who were

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1 local -- to move ahead.

2 I want to begin this morning by just
3 saying a few words before we begin to tackle the
4 job at hand.

5 The 20 items that we rolled out in
6 October of 2005 and now we've been working on,
7 quite frankly, together for the last 9 or 10
8 months, these concepts were put in place in order
9 to hopefully allow the industry and this piece of
10 government to come closer together. Now, we know
11 that there always will be issues and things,
12 because the nature of our business here -- we have
13 to talk about things. But we thought that this
14 construct would clear up a lot of confusion. It
15 would at least give everyone an opportunity to

16 know what the thinking of OBO was about, and I'd
17 just like to premise this discussion with a couple
18 of things.

19 There are some things that we don't like
20 but we simply can't do anything about. The reason
21 we have this large program -- which is funded --
22 and we really should thank our Congress -- at a

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1 billion and half a year and creates an opportunity
2 for us to launch 10 to 12 to 15 new compounds a
3 year -- is done because we have people in harm's
4 way, and the agreement with the providers of these
5 funds is that they want them done right, and they
6 want them done on time. So, any discussion about
7 a schedule, if you will, we really don't have time
8 to change, alter, or do any of that, because the
9 sense of urgency is to get our people out of
10 harm's way. That's why you see a 24-month in
11 Baghdad and other places, because people have no
12 place to be secure.

13 So, there are certain things that this
14 management cannot do anything about, and that is
15 we would love to sit here and talk about -- go
16 back to the old days and give five years to
17 complete an embassy, but we have to have these
18 things done in less than three years with a

19 compound, and when I look around here and look at
20 some of the contractors who do a lot of work in
21 this area, and since I have been a student and an
22 active participant in this trade for over 30

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1 years, I know that it can be done.
2 So, I just want, as we get into this --
3 sure, we can do all kinds of things, but one of
4 the things we cannot do to keep the program in
5 tact, and that is tinker around with being
6 sluggish about getting on with it. To get that
7 billion and a half every year, we've got to
8 produce results. So, that's what all of this is
9 about, and we tried to lay out the 20 items in
10 such a way that everybody could win. The
11 government here took a lot of risk, and I've told
12 the Congress that we have taken a lot of
13 additional risk in order to make this more
14 community-like so that we could operate together.
15 So, what we are doing -- and I only made
16 that little comment for those who have not been
17 following the program throughout -- we're going to
18 start today with a series of topics. All of the
19 panel members and my staff have received their
20 homework, and we're going to look at five items,
21 and the very first one -- the first topic area --
22 is to take a look at estimates, and what we want

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1 to do here is to ensure that estimates are good
2 estimates and that estimates are derived from
3 something that's empirical and extracted from
4 normal conditions. We can't go and police
5 anything from Katrina and roll it in to say this
6 would be the ongoing estimate, because that's an
7 anomaly. We all know that. We know how to deal
8 with those kind of things. So, we want to make
9 certain that we have an estimate that will stand
10 up any place, that will, quite frankly, be
11 unquestioned. So, we want to talk about it.

12 And with that, we've asked Steve Kirk
13 and our new member, Ed Denton, together with our
14 managing director for Planning and Development,
15 the person who is on the hot seat for planning
16 these and was one of you three years ago, so if he
17 doesn't say it right, industry sent me the wrong
18 guy.

19 (Laughter)

20 GENERAL WILLIAMS: And Pat McNamara who
21 also is a product of the private sector, although
22 he's been in the government a little bit longer,

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1 is going to talk and assist Jay with that. So,
2 I'll stop now and let Jay and the team go at it.

3 MR. HICKS: Thank you very much, sir.
4 Appreciate it.

5 At the onset, I'd just like to thank Pat
6 for his hard work, and Chris Mawdsley this week,
7 our head of cost estimating, and of course Dr.
8 Steven Kirk and Ed Denton, busy into fiscal year
9 schedules, travel schedules, and you don't get
10 paid to do this, so I appreciate the time you
11 spent with us preparing today's slides and today's
12 presentation.

13 I'll lead the discussion, sir. Someone
14 needs to that. But, obviously, at different
15 points in the discussion Dr. Kirk or Mr. Denton
16 will offer their opinions in commentary. Pat has
17 some pieces particular to real estate, and I'll
18 call on Chris to speak to a couple of things that
19 I think he's most appropriate to speak to.

20 Just to restate the obvious, of the
21 Williams 20 we're asked to speak to No. 6, which
22 is to ensure estimates are derived from empirical

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1 data extracted from normal conditions, and cost
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2 estimating, estimating of every sort, permeates
 3 all the Williams 20. It permeates everything we
 4 do here. But I'm glad this is getting air time,
 5 because it's so central to what we do, and this is
 6 the one that deals with estimating most directly.
 7 It doesn't have the sex appeal of design. It
 8 doesn't have the war stories and anecdotal stories
 9 that come with zoning battles. But this is so
 10 vital and so integral to what we do here I'm glad
 11 it's going to get the attention that it's going to
 12 get here today.

13 Next slide. So, to really break this
 14 apart, we took the two major components. The
 15 first operative components of this Williams 20 is
 16 empirical data, and "empirical" is a word I think
 17 we all learned first in our philosophy 101 classes
 18 as undergrads, but as a little reminder we're
 19 talking about data originating or based upon
 20 experience and observation and data that's capable
 21 of being verified or disproved by experience or
 22 observation.

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1 So, as you said, General, this is real -
 2 world data. It's not abstractions; it's
 3 historical knowledge of what's going on.

4 And the second component, normal

5 conditions, conforming to the standard or common
 6 type -- usual, not abnormal, not Katrina, regular
 7 and natural -- and we'll talk about the varying
 8 manifestations of regular and natural throughout
 9 the world. And, finally, a form or state of being
 10 regarded as the norm for a standard.

11 That's really what we're talking about,
 12 sir, and these are the principles guiding the
 13 estimating that you've asked us to here.

14 Next slide. To run with that definition
 15 for a minute, empirical data, two components,
 16 experience and observation. Obviously, we have a
 17 wealth of historical information. OBO is over 75
 18 years old, not that we draw on 75-year-old data
 19 but the point being that we've been at this for a
 20 long time. We've worked with the SED, as we now
 21 it for five years in itself, which has given us a
 22 valuable body of information to do our estimating

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1 from. And eight years -- about eight years ago we
 2 started with design-build, but certainly in the
 3 past five years we've made design-build a real
 4 cornerstone of our delivery method, so we've got
 5 experience in this area that continually informs
 6 and better informs each subsequent fiscal year
 7 delivery of NECs.

8 The next component is cost, and we tied

9 that to the concept of observation in the
10 definition of "empirical." We have a program, as
11 I alluded to, the NEC delivery program -- although
12 this applies to all the various products -- that
13 is very robust and gaining momentum and providing
14 us more and more information to feed back into how
15 we do business each subsequent year.

16 I'll ask Pat to speak a little bit to
17 the site acquisition component of that NEC process
18 that we have here.

19 MR. McNAMARA: Thank you, Jay. Through
20 our site acquisition program we typically purchase
21 8 to 10 new embassy sights annually. We have a
22 robust market research effort where we go out,

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1 hire a sight search contractor. He goes out and
2 locates sights for us, and we take those -- take
3 his report and we send a team out there to
4 evaluate the sights. Technical specialists go
5 through a very elaborate scoring tool to evaluate
6 and rank and score sights.

7 We typically narrow that down to two
8 sights, two preferred sights, which we then try to
9 option, get under contract, and then we go through
10 our due diligence period where we study both
11 sights extensively and then narrow in on one sight

12 and complete the acquisition.

13 As part of that process, we -- as I
14 said, we get a lot of market research done. One
15 of the things that we typically do -- well, we
16 always do -- is, for example, we get appraisals of
17 all the sights that we're seeking to acquire, the
18 two that we're focusing in on, and we get two
19 appraisals of every sight. You know, you might
20 think of that as wearing a belt and suspenders,
21 but the markets that we're dealing with are very
22 diverse, often not transparent, not like buying a

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1 property in Northern Virginia, for example, so to
2 feel comfortable with the values, feel comfortable
3 with the markets, typically we get two independent
4 professional market appraisals done of the sights
5 that we're seeking to acquire.

6 MR. HICKS: Very good. Thank you, Pat.
7 Go back one slide, please. There we are. And
8 obviously we have rigor around the planning and
9 delivery of the actual building and improvements
10 on the sight as well, and I think I'll defer some
11 of that discussion to later in the presentation.

12 Across the projects we, as I said, have
13 a robust body of projects coming in, but we have a
14 number of data sources we draw on. I just want to
15 give you a flavor for some of the places we go for

16 our data. In-house -- obviously we need to track
17 -- and it's at the very front end of the
18 estimating process -- is changes that are imposed
19 on us, particularly from the security world.
20 Obviously, so much of what we build is security
21 driven. It's very imperative that our cost
22 estimators be very hard wired into that evolving

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1 world of changing requirements from our diplomatic
2 and security colleagues. It doesn't do us any
3 good if our estimators and planners aren't plugged
4 into that evolving security environment that we're
5 charged with implementing and providing overseas.
6 So, there's a lot of in-house coordination and
7 collaboration to make sure we keep the scope
8 correct.

9 If you look at some of the external
10 sources that we go to -- obviously the Association
11 of General Contractors of America is a source of
12 good information; the Association for the
13 Advancement of Cost Engineering International;
14 Bureau of Labor and Statistics; AIA; Engineering
15 News Record -- just a flavor -- some of the places
16 we go for information that informs what we do
17 professionally here.

18 And also -- we'll get into this in a

19 little more detail -- we'll talk about how cost
20 estimating affects our planning of our buildings.
21 We have something called an IPS -- an initial
22 planning survey where cost estimating is

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1 introduced in international project risk
2 assessment that Chris may want to speak to a
3 little bit later, and obviously the site
4 appraisals and market analysis that Chris spoke
5 to. So, as it relates to the empirical data both
6 in-house and external to us, both historical and
7 observed today, that sort of represents the body
8 of evidence and the body of data where we begin
9 our effort to our robust estimating process here.

10 Next slide. The second part of the
11 Williams 20 deals with normal conditions, and I
12 think the takeaway from this slide is that normal
13 does not necessarily mean equal or favorable or
14 stable. General Williams outlined some markets
15 we're going into that just aren't like doing
16 business in Northern Virginia or D.C. Thereby
17 their very nature, not favorable to the way I was
18 certainly accustomed to doing business
19 domestically, and they're not very stable. But
20 that's all right. We don't grouse about that. We
21 don't complain about what a tough job we have. We
22 simply have to deal with it. So, successful

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1 estimating depends on understanding the common
2 regular conditions that would be the normal
3 conditions prevailing in that location. Some of
4 these places will never have the luxury of doing
5 business the way I was accustomed to doing
6 business domestically prior to coming here.
7 Estimates must assume normal conditions,
8 which may include logistical problems,
9 bureaucratic problems of the sort we don't
10 experience here -- intermittent utility service,
11 for instance, or internal or international
12 conflicts. That's just the arena we've been
13 charged to plan and do business. We're charged
14 with keeping people safe overseas, and we go where
15 the people are. So, we need to understand those
16 markets.
17 Next slide. OBO estimates. Pat and I
18 are going go back and forth to give you a flavor
19 of the type of estimating that takes place. Some
20 is real estate- based estimating or appraisal
21 work, which is why Pat is a full participant in
22 this. Some of it is the more traditional cost

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1 estimating associated with -- sight influence, and
2 I'll let Pat start off with that.

3 MR. McNAMARA: As I mentioned before, we
4 do a lot of very robust market research when we go
5 into a location where we're looking to buy a site.
6 Like I said, we hire a site search contractor. We
7 send our own professional in-house realty
8 specialist out there to learn the market.

9 When we -- like I said, when we sort of
10 lean on a site or sites, we commission two
11 independent professional appraisals of the
12 property.

13 We use a lot of the large international
14 real estate firms -- you know, the CB Richard
15 Ellises; the Knight Franks; Cushman, Wakefields.
16 We also use local professionals in markets,
17 because no one really has a global presence. No
18 one is really in all these markets. But we try to
19 hire the best talent we can, become comfortable
20 with the markets to gather as much information
21 about the real estate as we can, so that when we
22 do prepare to acquire a site we feel comfortable

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1 about where we are in terms of values. What we do
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2 is -- like I said, we get two appraisals done. We
 3 take those and we review them in-house. We have
 4 professional appraisers in-house who review them
 5 and develop a, what we call, reconciled estimate
 6 of value. They take the two numbers -- they take
 7 the two appraisals and kind of work them out, come
 8 up with a number. That becomes our target. We
 9 want to use that -- give that to your negotiators
 10 and say this is where we think the market is, this
 11 is where we think the value is. We use that as a
 12 target when we conduct our negotiations to acquire
 13 a site. So, in that respect, we're using that --
 14 we're tying it back to the market. We're using
 15 this independent value estimate tied back to
 16 professional appraisals to benchmark where we
 17 think we need to be in terms of acquiring a site.
 18 So, that's the connection for real estate to this
 19 empirical data. We tie it back to the market.

20 MR. HICKS: And this really does track
 21 somewhat chronologically with how we do business
 22 here, and then we move into the long-range

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1 overseas building plan. That was something that,
 2 curiously enough, OBO never had before General
 3 Williams came here -- a long-range plan. We now
 4 have and have had in place for a number of years a

5 six-year plan, so as projects hit our long-range
6 plan in this six-year cycle that we watch, we've
7 got a head start on these. We just don't pick it
8 up at the budget year.

9 We pick it up -- six years out is when
10 it first hits our radar screen in the plan, and
11 that's something that I also am planning and am in
12 charge of managing. Those of you that have seen
13 the plan, I think you're going to see, just by way
14 of FYI, some dramatic changes to the plan this
15 year. It's going to be arranged geographically so
16 that if you want to see what's happening in
17 Pakistan or Syria, you can turn to that country
18 and that location and you'll have the full breadth
19 of everything happening in that location. It
20 isn't divided functionally so that you have five
21 or six different pages to turn to, so that's, I
22 think, a good improvement we're going to make.

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1 But we start picking up a project and do
2 some -- I'll call it estimating at that point in
3 the process. Pat alluded to the fact that, back
4 to the property, he does independent appraisals.

5 Pat, you might want to mention the
6 reconciled REV that you put together for that
7 property again.

8 MR. McNAMARA: Right. As I said, we
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9 take the two property appraisals, review them
10 in-house, and we develop this reconciled value
11 estimate, which then becomes our benchmark for
12 acquisition of the site. We tie it back to our --
13 we have a performance measure that even ties back
14 to it, which I'll talk about in a few minutes.

15 MR. HICKS: We then move on to something
16 called our site maintenance and developed planner.
17 SMDP is our acronym internally for it, and that
18 has really expanded to catch up with another one
19 of the Williams 20 to bring ready to build sites.
20 So, the SMDP is intended to analyze not only what
21 it takes to secure the site as we hold on to it
22 until we can mobilize out to do the work and guard

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1 it, but to bring utilities to the site and the
2 various efforts that need to go into making that
3 the buildable site the general expects us to bring
4 to the market.

5 Two years out we hit the President's
6 budget. We do a very robust estimate again of
7 where we are to inform the President's budget. We
8 then go into detailed project planning. We do two
9 estimates -- post-budget preaward and then, of
10 course, our independent government estimate is the
11 last time we take a hold of it formally in the

12 estimating process, and we're going to show you a
13 diagram in a minute to fix that.

14 Next slide. Back to Pat. Both Pat's
15 real estate office and my planning office have
16 performance measures. General Williams doesn't
17 let us just talk a good talk. Every month we
18 present our performance metrics to him and the
19 rest of OBO to show him and the world how we're
20 doing against where we should be performing in
21 these areas, and I'll let Pat talk about that mild
22 yoke around his neck.

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1 MR. McNAMARA: All right, this is --
2 yeah, this is just one of any number of
3 performance metrics that we have, but the ratio of
4 price paid to the value -- simply put, you know,
5 our goal is to purchase sites for less than the
6 value estimate.

7 (Laughter)

8 MR. McNAMARA: That's the goal. And we
9 -- you know, on some transactions we're able to
10 bring it in under the reconciled estimate of value
11 and some we're not.

12 GENERAL WILLIAMS: Well, you didn't want
13 me to set a goal that they would have no --

14 (Laughter)

15 MR. McNAMARA: But the general has

16 allowed us to aggregate these, roll them up, so
17 that actually for 2006, year to date, we're at 97
18 percent. So, you know, we've added some value.
19 We're bringing it in a little bit under, you know,
20 under the hundred percent of the --

21 GENERAL WILLIAMS: And I may just make a
22 point here while Pat is making his statement, and

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1 he may not even know this, because it just
2 happened about 8 o'clock this morning. We've been
3 working for about six years to make a delicate
4 purchase in Belgrade, and so we have just learned
5 this morning that the deal is closed, and it's
6 closed at our number. So, we have made our
7 numbers in a lot of cases.

8 MR. McNAMARA: I didn't know that, sir,
9 that's great news.

10 GENERAL WILLIAMS: Okay, he'll smile all
11 day after this.

12 (Laughter)

13 GENERAL WILLIAMS: It was only \$15
14 million, so.

15 MR. HICKS: The former head of real
16 estate apparently wasn't able to get it done, so
17 I'm glad you were. I was the former head of real
18 estate.

19 AAI AP-091406
(Laughter)
20 MR. HICKS: Congratulations.
21 MR. McNAMARA: Anyway, that's the
22 purpose of that metric -- is again -- so, as we

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1 tied the site acquisition to some benchmark, some
2 other metric, some independent estimate, and
3 that's our goal, and so far we're on track.

4 MR. HICKS: The only thing I'd add,
5 knowing a little bit about that business,
6 certainly the vast majority of the transactions
7 come in under the appraised value. I mean, there
8 are a few outliers, but by and large tough
9 negotiators are bringing things under the
10 appraised value. It's not a 50/50 split. It's
11 very much weighted in favor of beating the
12 appraisal.

13 Next slide. We have a corresponding
14 metric. We have a variety of metrics, but I
15 thought this was the one most appropriate to
16 highlight today. It really comes down to the
17 accuracy of our estimating. You see two columns.
18 It's the OBO metric that we report on and follow
19 on the left-hand column and the AACE -- the
20 American Association for Advance of Cost
21 Engineering standard -- on the right, and you can
22 digest that. But what it really comes down to is

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1 we hold ourselves to what we think is at least if
2 not by some measures more stringent standard, and
3 we report on this every month. I don't have a
4 slide dedicated to how we've been doing, but I do
5 have a factoid here that I think is worth
6 repeating.

7 We have an annual average variance in
8 the government estimate versus the proposal prices
9 of approximately five percent between 1999 and
10 2005. So, in the context of the challenging
11 global market place we're working in, I think
12 we're doing a pretty good job, and a number of
13 different independent organizations and government
14 have been in to talk with us -- as they routinely
15 do about different parts of every government
16 program -- about our estimating process, and
17 they've come away pleased with how we're doing
18 there as well. We just need to keep that
19 performance up.

20 Next slide. Challenges. I'm going to
21 let Chris Mawdsley speak to this. I'm on Mount
22 Olympus on the 13th floor. I don't have to live

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1 the battles and the challenges that Chris has to
2 live with every day down on the 10th floor in
3 terms of what it means to work in this
4 environment.

5 So, Chris, if you wouldn't mind speaking
6 to some of those challenges, I think you're the
7 best qualified and most appropriate to speak to
8 that.

9 GENERAL WILLIAMS: You talk loud to me,
10 Chris, so you shouldn't need a mike.

11 MR. MAWDSLEY: Yes, sir.

12 (Laughter)

13 GENERAL WILLIAMS: Okay.

14 MR. MAWDSLEY: Good morning, General
15 Williams.

16 GENERAL WILLIAMS: Good morning.

17 MR. MAWDSLEY: Good morning, ladies and
18 gentlemen. If I can just amplify or refer back to
19 the prior slide, what I would point out is that
20 while we claim an average variance of 5 percent
21 over that time period, of course we've had some
22 outliers which did not conform to that 5 percent

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1 variance. These -- what I think all those sore
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2 thumbs in cost- estimating terms are always
3 difficult to deal with.

4 The challenge from my perspective is to
5 provide a reliable cost estimate that informs
6 management decisions.

7 GENERAL WILLIAMS: Can everyone hear?

8 MR. MAWDSLEY: Okay, let me --

9 MR. HICKS: Stand close to this
10 microphone, Chris.

11 MR. MAWDSLEY: Yeah, the challenge from
12 my perspective, being charged with the
13 responsibility of cost estimating, is to provide
14 responsible cost estimates that inform management
15 decisions. There is a later slide which shows the
16 continuous process of cost estimating, which
17 tracks through the concept, which is currently the
18 standard embassy design, through to award and then
19 feedback through the execution of the project
20 feedback through into the cost-estimating process.
21 We'll come to that in a moment.

22 The standard embassy design provides the

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1 basis to bring normalized standards to the design
2 and the criteria package that we estimate in cost
3 estimating. We have the corresponding cost model,
4 which conforms to that standard embassy design,

5 and that is our primary tool which we rely on in
6 developing cost estimates.

7 The cost model really presents a
8 baseline. It's arranged in UNIFORMAT. It
9 provides quantities by each element of UNIFORMAT
10 and facilitates cost comparisons against different
11 projects. So, we have a basis there against which
12 we can normalize data for projects which are
13 obviously in very disparate economies throughout
14 the world. That's a very challenging aspect of
15 our work. If we were to account for why one
16 project varies versus another project, given that
17 standard vehicle, we would have to bring that
18 information back to a normalized condition. In
19 order to do that comparison the standard MC design
20 cost model facilitates that.

21 Project costs in foreign locations are
22 extremely difficult to understand. We have a

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1 process by which we gather information to inform
2 the cost estimates. Typically, we engage in what
3 is termed the initial planning survey, where we
4 gather market data from a boots-on-the-ground
5 survey conducted in the subject post. That may be
6 augmented where we're in a sophisticated economy
7 and there are local cost indexes. We may actually
8 augment that information gathered on the ground by

9 reference to cost indices. Some of the
10 challenging variables are obviously things like
11 availability of basic resources, such as labor,
12 materials, logistic and supply issues, how do we
13 get materials in country, what are the sources of
14 those materials. These are challenging aspects of
15 the cost estimating that I'm charged with.

16 The additional impacts are having a
17 knowledge and an understanding of the normal
18 conditions that control that market. Again, this
19 is through observation and intelligence gathered
20 through boots-on-the-ground analysis of conditions
21 prevailing in that market, and that is gathered
22 through the initial planning survey.

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1 Short-term price volatility is something
2 that we've been facing over the past couple of
3 years with the challenging global marketplace.
4 The emergence of China as an influence on market
5 prices has been significant. We've observed that.
6 We have gathered information through various
7 resources. ENR being one of them produces a price
8 indices, has guided us to some extent. The
9 Association of General Contractors, who issues
10 weekly bulletins concerning the North American
11 marketplace -- we rely upon resources of that

12 nature to keep our estimating process well
13 informed.

14 There does -- just going back to the
15 cost indices issue that I mentioned, there does
16 appear to be what we view as really a lacking
17 parallel resource to that, that we have through RS
18 Means. RS Means really is the benchmark in terms
19 of cost indices. We don't see a similar benchmark
20 in the global marketplace. That is a potentially
21 debilitating factor. If we were to rely only upon
22 cost indices, it would be extremely difficult to

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1 understand which cost index would be appropriate
2 for our entire global program. And because of
3 that we place high emphasis upon the initial
4 planning survey for gathering that information.

5 Information gathered through the IPS is
6 periodically updated as the cost estimate develops
7 through its various stages. This isn't always a
8 rigorous unregularized process, but to the
9 greatest extent possible where my cost estimators
10 become aware of changing conditions in that
11 market, they will revisit the basis upon which the
12 cost estimate is constructed and they will make
13 appropriate adjustments based on the facts
14 gathered to augment the information previously
15 gathered through the IPS.

16 Really, the final element of my role in
17 cost estimating before the project moves to
18 project execution is the development of the
19 independent government estimate. My staff
20 participate in meetings at the pre-proposal
21 conferences, which is a forum extended to the
22 design-build contractors. Where the RFP is

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1 reviewed, the market conditions are analyzed,
2 subcontractors are introduced, there's an exchange
3 of available resources. My cost estimators
4 participate in that meeting with the sole purpose
5 of gathering the latest information that will
6 influence the independent government estimate, and
7 at that point we conclude the government estimate,
8 the project goes to solicitation. We then --
9 following successful award, then that
10 implementation of the execution phase -- my staff
11 are involved in the feedback loop through analysis
12 of request for equitable adjustments, independent
13 government estimates for change orders, and
14 gathering information which we then --

15 GENERAL WILLIAMS: Well, Chris, why
16 don't you -- I think you're spilling in the next
17 slide.

18 Next slide, please. We'll just

19 obviously -- challenging environment. What we've
20 laid out here -- stay there, Chris -- is --
21 obviously in the blue across the top are some of
22 the major components of our planning and delivery

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1 process, not necessarily unique to us but
2 certainly the concept design. We're talking about
3 the SED, as Chris described. The lower row of
4 boxes in orange capture some of that what we feel
5 is fairly robust estimating that takes place
6 during that process. You see some feedback loops
7 and whatnot, and, really, everything we've shown
8 in the slides and everything Chris was just
9 talking about is really graphically displayed
10 here.

11 I think what we're moving toward in this
12 presentation where the juice is, as the general
13 says in this presentation, are the components in
14 purple, and as we've gone through our process,
15 this process like any process, we're always
16 looking to industry for best practice. We're
17 looking to not only government colleagues but
18 private sector industry for best practices, where
19 are the trends, where do we need to be in the
20 process of what we always do, which is work with
21 folks like you and keep abreast of current trends.
22 We've found something, a particular something that

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1 I think would be a very good enhancement to what
2 we're doing here. Something that you haven't
3 heard us talk about yet and I think we'll
4 introduce here for the first time -- the idea of a
5 more robust, more centralized life cycle costing
6 introduced into our process.
7 Chris mentioned and Pat mentioned a very
8 robust type of estimating going on. One of the
9 things that we've wanted to do, and it's not as if
10 we haven't done it, but to centralize and be more
11 deliberate about is that life cycle cost
12 estimating, and that's something in preparation of
13 these slides in presenting our presentation today
14 was something that resonated with some discussions
15 we've had internally and also connects very well
16 with where the general is in the maturation of
17 this program, which is focusing on not just the
18 up-front planning, budgeting, standard design,
19 standard delivery method, constructability but the
20 ongoing maintenance after the fact, and that's
21 something that touches all of us, and we, in our
22 cost estimating division, want to connect to that,

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1 and we thought this would be a very good way to
2 connect to that process.

3 So, what you'll see in purple is where
4 we're headed. Life cycle cost and analysis early
5 in the process with feedback loops from our
6 completed projects, now that we have enough
7 completed, to inform that process.

8 Next slide, please. So, finally, OBO
9 cost estimating enhancements. We've told you what
10 we've done. We've told you how we measure
11 ourselves. We've told you how we've done against
12 some of those metrics. What we're talking about
13 now is implementing life costing at the concept
14 stage, long-range planning stage, and detailed
15 project planning phases. Certainly, components of
16 that cost estimating is it permeates our value
17 engineering and different things we do. I don't
18 want to get into a whole discussion of value
19 engineering today, but that's something that we
20 want to introduce and do better at and improve
21 upon during fiscal year '07. And, obviously, the
22 corollary to that is collecting maintenance and

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1 repair data, including energy costs, and feed that
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2 into subsequent-year planning.

3 At this point, I'm going to turn the
4 podium over to Dr. Kirk, who has some ideas on
5 this topic that he shared with us and we'd like to
6 share with all of you.

7 MR. KIRK: Well, first of all, as a
8 panel member, it's nice to -- the biggest fear you
9 have is being asked to speak on a topic you know
10 nothing about. Thank goodness, the general picked
11 estimating. That's near and dear to my heart, and
12 particularly life cycle costing, so I appreciate
13 that very much as I do in working with Jay and
14 Chris and the rest of you in this effort.

15 The things that Chris mentioned -- those
16 are right on the mark. Those are industry
17 practices. Very good practices, first-class
18 practices for doing cost estimating, so I'm going
19 to just sort of move the mark just a little bit
20 into the life cycle costing arena.

21 What's normal in life cycle costing? It
22 used to be that, well, we did, first, cost

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1 estimating, and that was about it, or we might do
2 some life cycle costing on individual components.
3 We might compare wall system A with wall system B
4 or something like that, and that's what we do in

5 value engineering. But what I'm talking about is
6 the broad scope estimating of the complete
7 holistic view of the total cost of the building,
8 and I believe that you wouldn't be the first, but
9 you're certainly in the first 10 percent that
10 would be doing this. I'm thinking of 24/7
11 facilities, projects we've worked on, like
12 airports. You might not think an airport is like
13 an embassy, but it is in terms of security and
14 operating and maintenance issues. Hospitals,
15 housing projects, police and fire emergency
16 facilities, national park facilities. So, the
17 normal is growing. The normal is starting to
18 become -- to do estimating on owning and operating
19 costs, and maintenance and repair is particularly
20 important to us.

21 Do we have the slide on the pie chart?
22 I think it's maybe --

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1 MR. HICKS: The next slide.
2 MR. KIRK: Okay, this is one that I
3 happen to be familiar with. In terms of
4 conceptually thinking about where's the dollars --
5 and this one is pretty true. There's the
6 construction cost, and then there's the over the
7 lifetime of an embassy project, maintenance and
8 repair costs, and energy and the other costs, and

9 one of the reasons, as we spoke last time, the
10 energy is a high cost because you have to pay so
11 much for fuel. Electricity at 30 to 40 cents a
12 kilowatt hour in some countries is huge. So,
13 that's a really big one. And then the M&R --
14 maintenance and repair costs -- and replace costs
15 is quite large.

16 So, if we go to the next slide, this is
17 just one that we did recently. Happens to be in
18 Detroit for the new terminal that they're planning
19 on building right now. We were asked to do the
20 life cycle cost analysis on that, and you really
21 can take the maintenance and replacement costs and
22 estimate those into detail, enough detail to see

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1 where the big cost components are. And just as
2 Chris said, the reason you do the estimating is
3 not just to say well, this is what it's going to
4 cost, but the reason is so that you can make
5 better informed design decisions to help
6 architects and help others to make better design
7 decisions, make them more maintenance effective
8 and replacement effective and that sort of thing.
9 So, this is just an example. There is a lot of
10 cost and what are the key components. This is
11 just a prado diagram to illustrate there are a lot

12 of systems. This is in UNIFORMAT, so I was glad
13 to hear Chris mention that.

14 UNIFORMAT is a very good cost format for
15 early-stage estimating or early-stage decision
16 making and early-stage maintenance and repair cost
17 estimating, as well as historical data.

18 And then the next slide is showing the
19 same facility, but this is replacement cost for
20 that same terminal building. So, replacement
21 cost, you can do the same thing. You can start to
22 see where the big-ticket items are. You can

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1 start to use design and latest methods and
2 techniques and technology to try to keep those
3 costs down as well. And then this kind of
4 information can also be used when you hold a value
5 engineering session so they can -- that team can
6 do a better job of suggesting ideas also to make
7 improvements. So, that's the core of it. I think
8 normal is starting to expand into this area. I
9 think if you did it, you'd probably be in the
10 first 10 percent. It's not a broad thing yet, but
11 I think it's becoming more normal.

12 GENERAL WILLIAMS: Okay, thank you,
13 Steve. Ed, do you have anything to --

14 MR. DENTON: Actually, a few comments.
15 First, for the panel, at the university I have

16 responsibility for all planning, design,
17 construction, real estate, and maintenance, and
18 talking about talking life cycles is really very
19 significant for us. One of the expectations they
20 have of me, of course, is one of predictability.
21 I have to be able to predict what it's going to
22 cost, how long it's going to take to build, and

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1 are they going to get what they expect.
2 But there's another half to that
3 equation, and that is when they get in the
4 building, get in the facility, can they maintain
5 it, and are they going to maintain it with their
6 assumptions around staffing, on the maintenance
7 operations? Do we have a PM program in place
8 that's going to allow the equipment to last as
9 long we expect it to last based on the initial
10 budgets? And that's really a significant issue,
11 and what in my world I have a problem with is that
12 on the one hand I have capital dollars, and they
13 -- I use that to plan, design, and build it.

14 Maintenance dollars is very different
15 money, and a lot of times, since I have both, I
16 have to make sure I keep my design team a little
17 in check, because they really don't truly
18 understand the operating impacts of what they're

19 doing. And a nice thing about my job, as well as
20 OB0, is we have the resources in place to make
21 that happen. So, when we talk about life cycle
22 costing, you can get very specific very quickly

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1 about what it means. And I'm talking about
2 everything from the energy management system,
3 everything from the elevators -- how do you
4 control the elevators? Where do you get your
5 parts? Who has the parts? What do you have to
6 keep on site and what can you get in short term?
7 Those are really big issues when it comes to
8 maintenance operations.

9 And then dealing with my particular
10 world, which I suspect is not dissimilar to OB0,
11 we have found over the years that our operations
12 and maintenance budget has been shrinking, because
13 money is just not available. So, then they start
14 looking to the capital side to help them out,
15 because they don't have the resources necessary to
16 maintain it and is seriously a constant struggle.

17 And another component of this is when I
18 go forward with a project, and I go forward to
19 what's called a Board of Regents, their
20 expectations are I'm going to forward based on the
21 last time I sat before them, which in their world
22 is the normal estimate. The reality of it is

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1 we're talking about what abnormal aspects of the
2 project make it different from the last time I sat
3 before them, and so while I'm using maybe a little
4 different word, abnormal to me is probably almost
5 more important than normal. I think Chris did a
6 good job of explaining. It's easy to get normal,
7 but what's difficult is how do you explain the
8 abnormal. And the abnormal component now is not
9 only what's specific to the building at the site,
10 whether it be foundations or anything else, it's
11 what are the O&M implications and what are the
12 life cycle implications, and there are times,
13 since they're just coming forward with the capital
14 money, that it's difficult to get them to
15 understand the operating needs and why we do need
16 to spend more money on a mechanical system or
17 other systems in the building because we just
18 don't have the resources to adequately maintain
19 them in the period of time we plan to keep that
20 building, which is certainly no less than 50
21 years, and it's not uncommon; it's far, far
22 longer.

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1 So, it's a real challenge, but life
2 cycle is extremely important, and I can tell you
3 at the University of California we're 10 campuses
4 -- we don't do it very well. And so I agree it is
5 an up and coming issue. It is something that has
6 to be taken very seriously, especially as we look
7 at the shrinking operating dollars that come
8 forward with the project, so to me this really
9 hits home, and, you know, my program's about a
10 third of the program here, but my pain is every
11 bit as big as the general's I suspect.

12 GENERAL WILLIAMS: Thank you, Ed. Now
13 we're going to have some comments.

14 Go ahead, Gary.

15 MR. HANEY: Thank you, General. Unlike
16 Dr. Kirk, I have no qualms speaking about things
17 that I know nothing about.

18 (Laughter)

19 MR. HANEY: I'm often asked to. So,
20 here we go on costing.

21 It seems to me that pie chart was
22 amazing, and I would guess -- I know this is true

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1 in private industry --

2 GENERAL WILLIAMS: Go back to the pie
3 chart, Michael.

4 MR. HANEY: -- that when you look at the
5 cost of a project, the actual bricks and mortar,
6 sometimes it represents less than half of the
7 total project cost, and that's typical for a
8 speculative office building. So, layer on top of
9 that this idea of ongoing maintenance. I mean,
10 that's really a fascinating slide there, where the
11 energy cost is not quite double the construction
12 cost.

13 So, it seems to me that if you had --
14 well, let me back up. The other saying that you
15 have to keep in mind here is even though you have
16 17,681 properties, now, that's amazing. I mean,
17 that's a daunting task. The goal of this
18 particular group is to produce safe environments
19 as fast as we can. So, you have a dilemma here.
20 If you start sinking and trying to solve all of
21 your life-costing problems, which in the end would
22 really benefit the guy who sits in your chair

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1 after you, but if you're looking out for the
2 well-being of the taxpayer, you have to think that
3 you don't want to slow down the process or, worse,
4 you don't want to add cost up front. It would

5 kill the projects. So, there's a dilemma here,
 6 and it's interesting that we're talking about it,
 7 but it's -- I think we have to keep in mind that
 8 it can't interrupt the flow.

9 Now, having said that, we have -- I'm
 10 starting to feel like the old timer on the panel
 11 here all of a sudden, but we had previously
 12 discussed tools that might allow you to capture
 13 the benefit of an SED, its repeatability, it's --
 14 as you -- every one of these you build adds to the
 15 knowledge of the whole. And we've talked about,
 16 like, building information, modeling, programs
 17 that once you go through and exercise to reduce --
 18 you know, if you just take 5 percent out of the
 19 energy cost, look at the savings. Or if you've
 20 solved a maintenance problem that will extend the
 21 life of a chiller for 10 years or some such, you
 22 could use a tool, like building information

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1 modeling, and really leverage the notion, the
 2 value that SED offers, and that it's
 3 repeatability.

4 GENERAL WILLIAMS: Well, you know, Gary,
 5 that's a very excellent wrap around the
 6 discussion, because one of the reasons we are
 7 thinking today, in the context of these
 8 presentations and with the good help of our

9 industry partners, is that we know that that was a
10 priority five years ago. We had to get a program
11 launched that was generated in results for people
12 to remain safe. We also know that once that
13 program is launched, we have to be very keen about
14 maintenance and what the life cycle impact is
15 going to be to the taxpayer. So, yes, it's a
16 balancing act.

17 We cannot stop the engine which is
18 driving the program, but at the same time we
19 cannot sit here and be comfortable without looking
20 at this from a holistic point of view. So, what
21 you just described is we have a big job here, and
22 what we have begun to do this year -- and there

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1 will be more discussion about this next year -- is
2 attempting to put the same signature on the O&M
3 side of the house, if you will, that we put on the
4 big engine, because at the end of the day what's
5 going to eat us alive once the newness of the
6 building is gone -- it's going to be maintaining
7 it and how long it's going to sit there and
8 function, so we have to look at these matters.

9 So, we have a program launched, and
10 we're getting traction from the healthy discussion
11 we're having today, and others, on how to frame a

12 real signature operations and maintenance program,
13 and that is going to land on our stakeholders'
14 desk for consideration, but we want to be able to
15 be as articulate as possible about it and know how
16 the dots connect, and there is a connection, and
17 there will have to be some balancing involved.
18 And that's the reason we're talking about it.

19 MR. HICKS: And that's why, obviously,
20 if I've learned anything under you, you don't want
21 us resting on our laurels.

22 GENERAL WILLIAMS: Right.

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1 MR. HICKS: And we're constantly
2 improving, constantly taking your leadership to
3 every step of the process, and with O&M such a
4 major focus and planning being the front end of
5 this process, we thought this was a perfectly
6 logical way to attach ourselves to what my
7 colleague, Paul Rowe, has at the end, which is the
8 O&M piece of this, and this is, I think, the most
9 meaningful contribution we could make to making
10 for a healthy, more complete process later on.

11 MR. DENTON: I'd just like to offer a
12 couple of comments on that particular slide. If
13 you were to also add to that equation the salaries
14 -- payroll and nonpayroll, the people who actually
15 work in that building -- construction might drop

16 to 10, 15 percent, which makes it even more
17 apparent. And, secondly, every year the energy
18 number is going to get larger, and so how are we
19 going to deal with that change in the equation?
20 And that's why O&M is so important, because that's
21 one place where we can leverage ourselves.
22 Preventive maintenance is an incredible tool, and

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1 you can talk about how much money you save as a
2 result of good PM programs.
3 GENERAL WILLIAMS: That's right.
4 MR. DENTON: And so, you know -- because
5 that red piece of pie is going to get bigger.
6 GENERAL WILLIAMS: Right, excellent
7 point. Yes, Lee.
8 MR. EVEY: Sir, in contrast to these
9 gentlemen, I'm not only willing to talk about
10 things I don't know anything about, I actually
11 prefer to talk about --
12 (Laughter)
13 MR. EVEY: More seriously, Jay and
14 Patrick, thank you very much for an excellent
15 presentation. A lot of information there.
16 I want to concentrate and ask a question
17 about -- you talk about the feedback loops, which
18 I am really, really interested in, but there are a

19 whole bunch of things that I think industry would
20 be very interested in that you didn't specifically
21 talk about, and that may be covered somewhere else
22 and perhaps I'm asking this question at the wrong

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1 time, but let me kind of go through them, because
2 what you've done -- you know, you really are going
3 through a cultural transformation. You're
4 removing from one culture a traditional design --
5 big build culture -- and you're moving into a
6 different culture, design-build, and there are
7 some things about it that I think would be of real
8 interest to industry in general. I know that it
9 would certainly be of interest to me.

10 And the first is what impact has that
11 transition had in your schedule requirements? Are
12 you now able to schedule a faster completion, a
13 different type of completion? Do you address your
14 schedule requirements in a different way? Because
15 I'm sure that must have an impact on your
16 estimates as well.

17 Changes in cost growth. Do you have any
18 numbers on this with respect to what we see in the
19 way of cost growth during the actual construction
20 process from the traditional way of doing business
21 to the way that you do business now? Changes in
22 modifications and claims and (off mike)

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1 litigation.

2 My expectation is -- my guess is that
3 your really have experienced differences in those
4 areas that I think industry would be very, very
5 interested in, and my guess is it's a good story.
6 But I haven't specifically heard information about
7 those things. Similarly, quality, and that
8 doesn't neatly translate into dollars and cents.
9 But for the same amount of money, if you can get a
10 higher quality building that better meets your O&M
11 requirements and other requirements, in effect
12 you've gotten more bang for the bucks. I think
13 that would be really of great interest.

14 The impact of inflation, and I
15 understand and appreciate you going through --
16 thank you for the very nice review of that --
17 trying to estimate what those impacts might be and
18 how that might affect you, but I think everyone
19 would be very interested in does this process --
20 does this way of doing business provide the
21 contractors an opportunity to more effectively
22 deal with impacts of inflation? Are they more

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1 capable of effectuating changes in the way that
2 they do business as a result of the changes that
3 you've made in your way of doing business that
4 enables us to avoid cost or deal with inflationary
5 costs more effectively.

6 Life cycle cost, and I agree with
7 everything, you know. The number that we usually
8 are talking about is for every dollar you spend in
9 building, you know, you're going to spend \$10
10 operation and maintenance over the life of the
11 building probably at a minimum, and so those are
12 very important costs. I wonder if you have any
13 track on what it was costing you in the way of
14 life cycle cost in the past, especially how those
15 costs might grow over time, how well the longevity
16 of the equipment to purchases stack up. You know,
17 if you've got 10 years out of the average HVAC
18 system and the old system and you get fifteen
19 years out of the new system, that's a very
20 important consideration and I think people would
21 be very, very interested in that. So, first, do
22 you happen to have any data on that? And,

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1 secondly, if you do have data on that, would you
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2 have any plan to publish the results, and if you
3 would look for a place to publish them, I happen
4 to know of some places that would be very
5 interested in doing that with you and for you,
6 because I think industry would be really, really
7 interested in this.

8 GENERAL WILLIAMS: Well, first of all,
9 Lee, thank you very much for the insight. It's a
10 very insightful question, because -- a lot of
11 comments -- because, quite frankly, that's where
12 we're headed. By getting what we think is a firm
13 grip or putting rigor into the development of
14 cost, we know at the end of the day that's the
15 bottom line. We want to make certain that what we
16 bring forth has credibility. It's attached to
17 something with legs and substantial, and that's
18 the reason we have gone through so much effort to
19 check, double check, benchmark with, etc., so when
20 the cost ends up -- and it's our product, it's a
21 good product. This is streamlining the process.
22 It's ungumming the process and making certain that

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1 we end up with a cleaner product at the end.
2 Now, how does that impact our schedule?
3 We think it enhances us to maintain the fast-paced
4 schedule we've got, because we can explain things

5 quickly; we can get there much more effectively.
6 So, that's the benefit about that.

7 As soon as we complete our total scrub
8 and connectivity to the O&M side, we'll have some
9 good comparisons on how the costs looked then and
10 how the total cost will probably look going
11 forward, and we'll be happy to share those at this
12 time.

13 We're in the developing stage now of all
14 that, and we wouldn't want to do this prematurely,
15 but we clearly know what you're asking, and we
16 would love to be able to provide that at a later
17 time. We'll keep you informed as we move ahead.
18 But the important thing, I think, in your whole
19 line of comments was the fact that the whole
20 effort here is to ensure that our process is
21 policed enough that when it's time to deal with
22 issues that might bear on cost, such as a change

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1 condition or such as a claim if we should have
2 those kind of things.

3 We'll have less discussion and debate
4 around the issue of cost if you've got it right.
5 So, we felt this was very important for a lot of
6 reasons. Just doing business, going forward, we
7 really had to know what we were doing and be,
8 quite frankly, totally current and at the state of

9 the art with our costing apparatus, and that's the
10 reason we're getting -- putting the emphasis on
11 it, okay?

12 Yes, Greg.

13 MR. THOMOPULOUS: General Williams,
14 obviously in a design-build project delivery
15 system, there is a lot of pressure by the
16 design-builder to have a design that meets the
17 minimum requirements of the client or the owner
18 and yet may not (off mike) very well for the life
19 cycle cost that we're talking about here, and I
20 just wonder if, as you look ahead and move
21 forward, do you have plans to have in the
22 design-build evaluation system some aspect of that

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1 life cycle cost in terms of the contract award,
2 because, again, drawing on my experience where
3 we've been a design engineer on a design-build
4 project, I can recall many times the design-build
5 contractor would have preferred designs on some
6 engineering systems be not of the type of
7 equipment that might last longer, be more
8 efficient because it was way above the owner's
9 requirements.

10 GENERAL WILLIAMS: Well, two points are
11 -- I'll ask Bill Miner to pick up in a place --

12 wait, part of the theory -- and you're bringing
 13 out a good point, and I'm happy that you brought
 14 this out, because now it's very clear as to why we
 15 went to a standard design. We knew in order to
 16 control what you just talked about we had to have
 17 some basic vehicle from the beginning so that we
 18 wouldn't have all of the creativity. And
 19 creativity can go both ways, as our friends in
 20 here know this. It can go south; it can go east
 21 to west, and whatever. It may look pretty, but it
 22 may not necessarily get us where we want to go.

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1 So, early on when we launched the SED,
 2 that was the vision behind the SED, that there is
 3 limited room for creativity, but you can't destroy
 4 the basic, because in order to make certain that
 5 the representation we are making before the
 6 stakeholders is that this investment is going to
 7 be in place and will operate and function for some
 8 period of time, and in order to do that we had to
 9 somewhat be -- we had to control some aspects of
 10 the design, and what we have now is some latitude
 11 in certain areas, but the basic box, the basic
 12 building, is our design.

13 MR. MINER: Soon the (off mike) will do
 14 more to incentivize our design-build contractors
 15 to help us make good life cycle choices. We

16 haven't done a lot with that. There are some
17 reasons why we have had lots and lots of
18 experience using value engineering at various
19 phases, and we continue to have a clause in our
20 standard contracts whereby we are willing to share
21 the majority of our savings with our
22 design-builder for ideas that they bring forward

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1 and that they're willing to incorporate in their
2 delivery scheme.
3 You've heard me say before that we don't
4 get enough proposals. We'd like to see more, and
5 ideas on how we can incentivize the industry would
6 be very welcome. But in the discussion of life
7 cycle costing, one of the things that does come up
8 on the design side very often is what should be
9 the life cycle of an embassy; a choice of stone or
10 cladding for our building; should an embassy be a
11 30-year life product; should we design it to
12 endure harsh climates for 30 years or 40 years or
13 50 years; what's the life cycle of the U.S.
14 Capitol; what's the life cycle of the White House?
15 This is an American embassy. This is not a
16 corporate headquarters. So, determining that very
17 important number of the life cycle that you need
18 to determine what material is the appropriate

19 material, what's the right investment to get to
20 that life cycle before you're going to replace it
21 is a really big question mark for us, and perhaps
22 you can help us answer that.

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1 There was also the issue of focusing in
2 on and trying to squeeze juice out of the value of
3 individual products, and there was a suggestion
4 made that designers may not appreciate the
5 operation and maintenance components, and I feel
6 compelled to just mention the great dilemma that
7 we have in our program when we choose any system
8 or any material.

9 And if we take something as simple as a
10 window -- and you saw lots and lots of our
11 buildings. The general showed you over 50.
12 They're all based upon the same design. They all
13 have very small windows, very tough, thick, and
14 not very user friendly. From a worker morale
15 point of view, being in Kingston, Jamaica, and
16 other lovely places, you'd like to have a view.

17 The primary energy drain in our building
18 -- because it's mostly an office building -- is
19 lighting. Office lighting. The best way to
20 supplement that is with daylighting. Larger
21 windows. However, in a blast event, the window is
22 the primary vulnerability to the occupant. It's

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1 the flying glass. It's what protects you from
2 that explosion. So, there's that dilemma that
3 makes it difficult for you to find that point.
4 Also, our windows are sealed. They're
5 not operable, so there there's an impact on the
6 HVAC system. Again, you're in Kingston, Jamaica.
7 You don't have a view, and you have a sealed
8 window, because you want the occupants to survive
9 a blast event. You don't have as much daylight as
10 you'd like to have. You throw into that mix that
11 that's a very specialized window assembly. We
12 call it a long-lead item. It's on the
13 contractor's critical path. The general, with
14 great foresight, said you know, we need to take
15 that off of their plate and we need to take that
16 risk. We need to buy that window in advance and
17 make it available to them. So, something as
18 simple as the window for us has lots and lots of
19 tails that impact energy, that impact worker
20 morale, that impact the construction process, and
21 how long should that window last relative to the
22 rest of the system. So, there's a very, very

1 complex issue here.

2 So, that's one question I'd like to
3 leave with the panel. Maybe by the end of the day
4 we can come to some sort of path going forward
5 related to this. What is a good life cycle for an
6 American embassy? And that will help Chris and
7 the rest of us determine that value.

8 GENERAL WILLIAMS: Thank you, Greg.
9 Excellent question.

10 Yes, John.

11 MR. PAWULAK: Sir, as an operator and
12 maintainer, I'm really encouraged to hear that
13 operations and maintenance can be brought in
14 earlier in the life cycle costing. All too many
15 times in my experience is that we have not been
16 brought in at the conceptual or the design stage.
17 There have been exceptions, and one of them is
18 something that Mr. McNamara talked about in doing
19 an initial site visit out in Yekaterinburg in
20 Russia and looking for a site, where they did
21 bring operators, maintainers out there to look at
22 the different sites, and that was a very positive

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1 thing. More often than not, we are brought in
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2 perhaps to participate in commissioning, but more
 3 likely than not after post- construction, many
 4 times after warranty has expired, and I would
 5 encourage every opportunity to bring the operators
 6 and maintainers in, third parties that come in and
 7 do evaluations and assist with in the conceptual
 8 stage through the construction, certainly through
 9 the warranty period, and into the post-
 10 completion. I believe that you'll have a better
 11 product.

12 GENERAL WILLIAMS: That's very good, and
 13 you just underscored our program and our trust,
 14 and this is very, very useful for us, because as
 15 we tackle any of these issues, the whole premise
 16 around our strategic thinking has been once we
 17 come up with a path that we want to travel and we
 18 talk about it in-house, we've used the panel very
 19 successfully over the last four and a half years,
 20 almost five years, to help us get it right, and
 21 the discussion we've had this morning about the
 22 whole question of cost and not just construction

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1 cost, because our responsibility is beyond that,
 2 and the taxpayers are interested in the whole
 3 picture. They want the facility, they want good
 4 stewardship around costing.

5 So, we cannot just look at one part of
6 it. So, we feel if we get everybody around the
7 table and incorporate the O&M thinkers together
8 with the builders and designers and planners, we
9 have to come out with a better product, and all of
10 this, some of the people who were on the panel
11 earlier know that we moved value engineering from
12 a traditional slot in the process into the early
13 part. We're moving more things earlier now. We
14 have a very robust planning effort, more emphasis
15 on site work, picking a better site, thinking
16 about all of these things, how we're going to be
17 able to operate here. So, we are front-loading
18 the process with the brainpower so that at the end
19 we're not standing around at commissioning trying
20 to figure out why the chiller is not chilling.
21 Okay. And I've had a situation like that. All
22 about five minutes until we redirected it. Okay.

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1 MR. BAROTTI: Thank you, sir, just to
2 follow up on Mr. Thomopoulos.
3 We've seen in a lot of military
4 construction that they've gone to privatization,
5 because they, too, need to get away from the O&M
6 20- year duration water treatment plant
7 construction where performance-based requirements
8 have come out that they own and operate in

9 facilities for 20 years. These are challenging
10 the industry to come up with better ways to own
11 and operate facilities.

12 We've also seen sometimes where in
13 addition to the construction -- like, I think Greg
14 was pointing out -- you can almost give an assumed
15 energy rate to go by and say hey, give us your
16 construction price for the facility and you're
17 going to warrant these chillers and everything for
18 the next 10 years; we want you to assume this
19 energy rate for that 10 years, and show us your
20 curve, show us what it's going to take for what
21 the system that you propose to give us is going to
22 cost us for the next 10 years to operate this

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1 facility. And you can actually evaluate that on
2 the bottom line, and it challenges the different
3 manufacturers to come up with a cheaper design.

4 GENERAL WILLIAMS: Yes, Ed.

5 MR. DENTON: I just want to build on
6 something Bill said, because I don't think we
7 should lose it, and you talked about doors and
8 windows, you know, and strategic source things and
9 what comes to mind when you think about that. And
10 there's another component, though. That is you
11 can keep growing that program to deal with some of

12 these other issues that drive energy costs. Light
 13 fixtures is a great example. You know, for
 14 maintenance operations, they don't only care about
 15 stocking the right lamps in the right ballast;
 16 they care about how well is the hinge going to
 17 hold up when you drop the lens every time you need
 18 to change the tubes. And so there might be
 19 opportunities to deal with the operating end plus
 20 the capital side. If you buy enough of those to
 21 drive down the cost and bring up the quality, that
 22 could have a dramatic impact.

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1 GENERAL WILLIAMS: Right. Okay, let me
 2 take -- okay. You know, it's like this. We've
 3 been doing this now about five years, and I tell
 4 you we have a big agenda and we get on one topic
 5 and we just work it. And so I have to put on my
 6 other hat and try to move forward. I know it's a
 7 lot more chapters to this book and this subject,
 8 and it's out there. We have the thinking exactly
 9 where we want it now. We'd like for you to
 10 continue to think about it and share with staff
 11 with ideas, and our staff will do the same thing.
 12 Let's move ahead now to -- and the whole
 13 idea here, quite frankly, was to deal with --
 14 putting rigor in the system and making certain
 15 that costs were, in fact, connected to something

16 that is real.

17 This next one deals with the project
18 directors, project managers, project executives --
19 however you want to describe it -- who can create
20 and maintain a strong team, and we all know that
21 at the end of the day once we do this robust
22 front-end part, the job has to get done, and it

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1 gets done, quite frankly, through communication,
2 through cooperation, through smartness, through
3 techniques, etc., but one thing we do know -- you
4 have to be on the same page, and the team has to
5 have juice. It cannot be -- and particularly with
6 us with the fast-track program overseas, we are
7 taxed, we are challenged, and we just cannot
8 operate unless everyone is hitting on all. So,
9 for that particular reason, we have asked Greg,
10 John, and Rob McKinnie to give us some views about
11 that.

12 MR. McKINNIE: Good morning, General
13 Williams. Good morning, everyone.

14 If you think back about 20 years ago,
15 most of us probably had not -- or a lot of us had
16 not even heard of OBO, FBO at that time, and if we
17 think a little bit deeper about it, the majority
18 of us did not realize that the State Department

19 had a construction arm, a body of construction
20 engineers that are employed to build the new
21 embassies overseas, so our topic today, look for
22 project directors who can create and maintain a

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1 strong team, is a topic of discussion that we'd
2 like to share some thoughts with you on to get
3 some insight on project directors, and we've
4 talked about the process as a part of our
5 discussion, and we will talk about some of the
6 challenges that we're faced with in selection of
7 the project directors.

8 Gregs is fortunate to have some
9 experience with IAP. This my first session with
10 IAP, but Gregs is fortunate to have had IAP --

11 SPEAKER: Wants experience.

12 MR. McKINNIE: -- as well as overseas
13 experience, which is what we are primarily
14 responsible for. In the department we are solely
15 responsible for the construction of the embassies
16 overseas, and we have John Pawulak, who's another
17 panel member, who's fortunate to have had
18 experience with one of our project sites and one
19 of our project directors, so that's good for us,
20 and John's going to kick off the discussion and
21 share the initial thoughts.

22 MR. PAWULAK: Thank you, Rob. General
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1 Williams, Gregs and I and Robert are going to do
2 sort of a Huntley-Brinkley on this --
3 GENERAL WILLIAMS: Okay, sure.
4 MR. PAWULAK: -- and bring our past
5 experiences to bear on this issue.
6 We also looked at some academic
7 practitioners that have some thought on this
8 subject, and I'm going to give credit to those --
9 to Dr. James Lewis, who wrote the Project
10 Manager's Desk Reference, and also a group of --
11 Kezsbom, Schilling and Edward, who did Dynamic
12 Project Management -- two of the documents that I
13 used in my research, as well as the internet.
14 And then we also looked at the OBO
15 approach and discussed that a little bit, as well
16 as industry and how we applied this to picking,
17 looking for our project managers who run facility
18 operations, as well as construction. This is not
19 a detailed analysis. It's really just to
20 stimulate thought and possible future actions.
21 Next slide. Here's a definition. Has a
22 general application to all the project leaders and

1 a specific application to the Department of State
2 and the Overseas Building Operations Office.
3 Leadership here is the key.
4 Project Leadership of course. We know
5 there's a variety of styles, all necessary to meet
6 the dynamics of the project at hand, especially
7 the project that you all are dealing with. No one
8 style works for any project situation. Our
9 project directors or project managers must be able
10 to adapt to the project, and, importantly, they
11 must also be able to adapt to the client's needs
12 and understand the client's needs. There are a
13 lot of styles and characteristics, and we're going
14 to talk about those a little bit more in more
15 detail.
16 Next slide. I like lessons learned. I
17 like to be debriefed. I like to debrief on those
18 successes, as well as falling under expectations.
19 Lessons learned are great, and it applies to
20 looking for project directors as well. Using
21 these lessons learned is really essential to
22 examine the past performance of not only your

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1 in-house people that you may be looking at for
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2 moving to a higher position, moving from an annex
3 construction to a consulate or embassy
4 construction, but also looking at new prospects,
5 especially from the private sector that you may be
6 bringing in as personal services project managers
7 to augment your full-time equivalents.

8 This look-back really helps to be
9 proactive in the long run, and it really helps
10 prevent from exceeding a project director's
11 capabilities, which we all don't want to do. Or
12 it may identify the need for additional training
13 to supplement a project director who needs
14 additional leadership, negotiation skills,
15 contract management, in order to make him
16 stronger.

17 There's a tremendous success story being
18 portrayed here for sure. There are a lot of
19 lessons, a lot of good lessons to be learned that
20 need to be brought forward in looking for the
21 project directors of the future. I'm going to
22 talk about a lot of those in the next slides.

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1 First, a rear view. OBO has some really
2 outstanding project directors in the field. I
3 know.

4 I lived with one for two years in

5 Moscow. I was able to witness how he operated in
 6 that foreign land under those strict security
 7 conditions that were so dynamic and so changing,
 8 and that was in 1992 to 1994. It was interesting
 9 to watch how he worked. There was a lot of
 10 interaction between the construction and the
 11 operations and maintenance guys. So, it's very
 12 interesting to see, and that is, in my estimation,
 13 one of the outstanding representatives of OBO, and
 14 that's what we should be looking at and trying to
 15 determine how that person operated and moving
 16 forward and applying that to the successors, if
 17 you will.

18 We also looked at the project director
 19 selection process, and Mr. McKinnie's going to
 20 talk about that a little bit, and how that's
 21 applied now in OBO and looking back at it.

22 MR. McKINNI E: Okay, I'm going to step

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1 back a bit and talk about what our formal title
 2 is. We're called foreign service construction
 3 engineers.

4 We are a part of the State Department's
 5 diplomatic corps. We rotate around the world
 6 every two or three years. We're part of the human
 7 resources system for the State Department. We're
 8 not an independent body. We're part of the State

9 Department, and a lot of people don't really know
10 that, so we follow the guidelines of the foreign
11 service system for the State Department.

12 There are two types of employees. There
13 are generalists and specialists. The foreign
14 service construction engineers, which the project
15 directors are a part of, are called specialist
16 cone, and that's where we are. The financial
17 managers, the doctors, the attorneys -- we're all
18 part of the specialist cone of the State
19 Department. A lot of people don't know that, and
20 we do have to follow the regulations of the State
21 Department's human resource system. There's a
22 maximum length of time that we can stay overseas.

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1 There's a maximum length of time that we can stay
2 in Washington. We have to work within that
3 system. If not, we've got to go to the head of
4 the human resources system, the director general,
5 and get exceptions to that, and construction's not
6 an easy -- it's not always an exact start and an
7 exact finish. There are a lot of parameters and
8 conditions for that. But we have to work within
9 the State Department's human resources system.

10 The way our assignment process works --
11 we meet at the CC -- the Construction and

12 Commi ssi oni ng Di vi si on l evel , whi ch I am the
 13 di rector of. We get the seni or managers at the
 14 di vi si on l evel togeth er, and we talk about who's
 15 -- what project di rectors are comi ng onl i ne, what
 16 project di rectors are immedi ately avai l a bl e. We
 17 al so talk about what projects are immedi ately
 18 starti ng. That's i n the short term. And we look
 19 at the long-range bui l di ng plan to fi nd out what
 20 projects are comi ng i n the near future, and we try
 21 and get the project di rectors on board as soon as
 22 we possi bly can so that they can fami l i ari ze

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1 themsel ves before departi ng for the constructi on
 2 si te.
 3 So, the four l evel s -- we roughl y --
 4 we've got approxi mately four l evel s that the
 5 project di rector selecti on process goes through.
 6 It starts at the di vi si on l evel , wi th us, and it
 7 goes to program executi on, whi ch our deputy, Wi l l
 8 Col ston, i s i nvolved i n, or our di rector, Joseph
 9 Tucson, who's not here today -- he's i nvolved i n
 10 i t. Then i t goes to Di rector Wi l l i ams for a
 11 review, and then i t goes to Main State -- to the
 12 State Department for acceptance and paneli ng and
 13 acceptance by the host country to go to the post
 14 of assi gnment oversea s. It's not a si mple
 15 process, but i t's been worki ng, and we've been i n

16 existence since 1926, so something must be good
17 about it. It's still working as we said.

18 As I said earlier, we talked about
19 getting the project directors involved in the
20 process as early as possible. I participated on
21 what we call the initial surveys. We visited
22 project sites. So, we get them involved in the

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1 process as early as we possibly can. They're
2 involved in the design reviews. They're involved
3 in development of project supervision estimates
4 and also lessons learned, which we do have a
5 section or a group that's involved in lessons
6 learned within our Construction Division.

7 In order to make certain that we get a
8 true match, we try to get -- as I said, we try to
9 get the project director on board as soon as
10 possible. That gives him a chance to meet with
11 the project team members before he or she goes to
12 a construction site and tries to execute the
13 construction project. That's for the most part.

14 One of the things that I didn't talk
15 about was the actual interview process. As we are
16 a part of the State Department's system, the
17 interview process is conducted in the overall Main
18 State -- the HR, human resources, system. The

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19 applications and everything come in through the
20 department. It's selected. It's vetted. It's
21 reviewed for qualifications and it's then
22 forwarded to our office for review and further

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1 selection of project directors from the listing
2 that they send forward.

3 We also talk about -- we have, as the
4 slide indicates, professional development. We
5 have training programs in our division that
6 project directors are involved in, as well as
7 updated credentials.

8 We'll take it back to John, and John can
9 continue to talk about the --

10 MR. PAWULAK: Before we move on to the
11 next slide, we're going to look at some of our
12 points from our academic practitioners.

13 Each project represents its own
14 personality and requirements. That may be a
15 little bit of motherhood and apple pie, but it's a
16 true fact. The one thing that stands out is that
17 the project director is the key person on the
18 project at that location. All of these
19 practitioners all suggest that the application of
20 basic principles helps in getting to the solution.
21 And I'd like to just touch on some of the basics.

22 Next slide. According to Mr. Lewis,
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1 project directors must be able to master and
2 negotiate, navigate within these seven components.
3 Some are very basic and fundamental. The humans
4 are on the bottom, because it is the basis -- it
5 is the foundation for everything else. A project
6 director really needs to be able to deal with the
7 human issues, and that's leading, negotiating,
8 motivating -- all those soft people skills, the
9 most important.

10 As you move up -- culture. That's sort
11 of the sum values of policed (?) attitudes and
12 behaviors and traditions within the organization,
13 but it also has a special meaning here for OB0
14 because of the foreign cultures that you must work
15 within and around.

16 The organization -- of course, that
17 divides the authority, the accountability, and
18 responsibility, and it really boils down to the
19 project director's ability to influence the
20 operation.

21 The methods -- those are the tools of
22 the trade. And most common to our project

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1 managers and directors are the software packages
2 that we use for scheduling and planning.

3 Control -- go up to the top. The real
4 reason for managing is to control the project,
5 control the application of scarce resources, and
6 the boxes below, the planning and the information
7 -- those are very critical to control.

8 Now, no plan, no control. No
9 information, no plan. All of those fit together,
10 so we need to look at project managers, directors
11 who are capable of moving, communicating, and
12 working within those seven components.

13 MR. McKINNIE: In the interview process,
14 the project directors are actually selected based
15 on six criteria. It's an hour-and-a-half
16 interview process with someone from the
17 Construction Division, someone from the Office of
18 Human Resources in Main State. There are three
19 panel members that interview every applicant for
20 six categories or basically a summary of the items
21 that are listed there. They're evaluated against
22 those characteristics.

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1 MR. PAWULAK: Next slide. Our
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2 practitioners list -- many of the skills that
 3 project directors are required to have. They're
 4 all shown here. There may be others that would be
 5 specific to a job, say contract management
 6 specialty skill. They all agree, though, that the
 7 most important skills that's required of project
 8 managers and directors are their people skills.
 9 They say project directors who cannot deal with
 10 people have trouble. This value is a lot of times
 11 under-valued by organizations, and we spend more
 12 time looking at the technical, the abilities to
 13 schedule, to plan, to control versus the ability
 14 to lead. And so they argue that that needs to be
 15 moved to the very top. And, besides, they
 16 finalized it by saying you know, how many projects
 17 fail because the project director cannot put
 18 together a pert schedule.

19 The next slide shows some personal
 20 characteristics that we found from the field, from
 21 industry, from OBO in talking to presidents of
 22 construction companies, their senior executives,

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1 their project managers, my own project managers
 2 out in the field who are running NAH hospitals or
 3 FDA laboratories, those sorts of things. As you
 4 can see, that's a pretty tall order for any one

5 individual to fill. Fortunately, we have the
 6 capability of augmenting PD -- project directors'
 7 skills and requirements with other team members,
 8 and that's very, very beneficial.

9 A note from a project manager, and I set
 10 all my project managers down when I was doing my
 11 homework research, and I asked them what would
 12 they want in the ideal project manager. So, if I
 13 can, I'll take just a second. It's the ability to
 14 brace changes; a life-long learner; a
 15 self-empowered or self-responsible philosophy;
 16 superior leadership skills; a team player; strong
 17 communication skills; exceptional conflict and
 18 confrontational skills; good critical and creative
 19 thinking; good character; honesty; high integrity;
 20 the ability to build consensus; a sense of humor;
 21 and strong facilitation, mentoring, and coaching
 22 skills. Also, high energy level; self-confidence;

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1 excellent interpersonal skills; the ability to see
 2 the big picture, how what the department does
 3 impacts others; a willing to attend to attend to
 4 the details; a hand-on to the extent needed, not
 5 just a delegator. And that's from the grassroots
 6 guys. That's what they would like -- that's who
 7 they would like to see lead them on these
 8 projects, and I think it's pretty basic.

9 Next slide. We talk about development.
10 This one I borrowed from the Lewis Institute, and
11 it shows some of those personal development areas
12 that this academic practitioner believes are
13 essential for developing strong project directors.
14 I certainly know the benefits of language
15 training, having spent a couple of days in the
16 Department of State language training before going
17 over to Moscow.
18 But it was interrupted. My wife and I
19 started in the beginning of January and three days
20 later they said sorry, mission dictates. Here's
21 your airplane ticket. You're leaving tomorrow.
22 It's a good thing I had translators, and it's a

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1 good thing that other members of the team did
2 complete the training. Just a point.
3 Next, a few pros and cons that I've
4 identified -- we have identified during this
5 research project. The pros reflect the positives
6 as being practiced today. In OBO I've learned, as
7 Mr. McKinnie has described, that there is a
8 progressive development that is being practiced by
9 sequential assignments from smaller sort of like
10 rehab or annexes, smaller compound jobs, to the
11 full-scale embassy project development. The

12 recruiting selection process is focused on looking
13 for the most talented, and it is performance
14 based.

15 Industry and OBO both use either a
16 committee or an individual hiring authority.
17 Very, very important.

18 And in the committees we're finding --
19 I'm finding that senior management is
20 participating in that selection process -- we're
21 not just leaving that to administrators -- and
22 that assignments are being made commensurate with

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1 the project director's capabilities. But, of
2 course, there is always some error there, and
3 we've all experienced that.

4 Next, on the cons, and I certainly hope
5 that I don't offend anybody here, that these are
6 really my own subjective evaluations, but gut feel
7 doesn't really quite fit my idea of thoroughly
8 knowing and evaluating a person that's going to be
9 placed in such a position of responsibility, but I
10 did hear that from folks in industry, and they
11 actually apply that.

12 I looked and found that some senior
13 managers look at technical ability as the greatest
14 need. My preference is a combination of strong
15 technical ability and well-developed soft skills,

16 the people skills, and the combination of the two.
17 I also found that there's a lag in
18 hiring in both industry and in DOS that we've all
19 dealt with, and sometimes this can interfere with
20 the final placement between selection and the
21 final placement, which really encumbers the
22 ability to bring the prime project directors,

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1 project managers on the site, because they get
2 misdirected in other directions when they have to
3 wait.

4 And last is just a note on committee
5 selection -- to make sure that there is a
6 responsible authority on those committees to make
7 that final decision in the selection.

8 Some recommendations -- the next slide.
9 Just continue building on the tremendous success
10 that's been experienced here in the past five
11 years or so.

12 Move project directors to the level of
13 their competency only when they're ready.
14 Extending their requirements, really -- it's just
15 a cause for failure, and that's something that is
16 too costly and should try to be avoided at all
17 cost.

18 Continue to develop the career path

19 process to further develop from within, and we do
20 that in industry, and I do know that in government
21 that is in process.

22 Don't leave the selection up to

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1 administrative staff. Keep the senior managers
2 involved.

3 And, lastly, on the continuing
4 education, I equate that to continuing
5 improvement.

6 And, sir, with that, Gregs -- unless you
7 have something you'd like to add.

8 MR. THOMOPULOUS: As I think the
9 presentation that was made might be considered
10 (off mike) full cost only on the OB0 project
11 director, my comments relate to the
12 design-builder, project director or project
13 superintendent, project manager --

14 GENERAL WILLIAMS: Sure, that's part of
15 the team.

16 MR. THOMOPULOUS: It takes two --

17 GENERAL WILLIAMS: Right.

18 MR. THOMOPULOUS: -- for a project to be
19 successful.

20 GENERAL WILLIAMS: Right.

21 MR. THOMOPULOUS: And the most important
22 ingredient in this is the chemistry, the chemistry

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1 between those two, from both sides, and a project
2 director can have all the technical qualities,
3 technical capabilities, and even may have been
4 very successful on the last project yet might run
5 into difficulties on the next project. So, it
6 takes constant monitoring and reviewing the
7 relationship between the design-builders, project
8 director, and OB's project director. And if
9 things are not working well, it is strongly
10 recommended don't hesitate to change.

11 I just spent -- a month ago I went to
12 Kuwait. I had to change a project manager on our
13 side, and this is an individual that had just
14 completed a \$400 million (off mike)-based project
15 in Abu Dhabi. Same region. Same culture. But
16 chemistry with the client just was not there on
17 the Kuwait project. And I'm happy to report that
18 with the change that was made (off mike)
19 initiation. We didn't wait for the client to ask
20 us to remove the project manager. Things got
21 turned around. So, chemistry I think is very,
22 very important, because the design-builder's

1 project directors are under a different set of
2 pressures. They have the project done on budget.
3 That is from the home office, from the company,
4 because no company wants to lose money on a job,
5 and we don't know how to bid it. They might have
6 bid it low, made some errors, but there's always
7 that pressure on the design-builder's project
8 manager to try to keep it within budget. And,
9 yet, this is a separate set of pressure on the OBO
10 project manager, even though the objectives are
11 all the same: Get it done on schedule; make sure
12 the quality is what was proposed. And, so those
13 two individuals, I think, working together make a
14 successful project, and I just believe that we
15 always need to monitor that relationship, not
16 leave it to the two of them to work out because
17 sometimes they can't work it out themselves.

18 GENERAL WILLIAMS: Right. Excellent.
19 Do you have anything further, Rob?

20 MR. McKINNIE: I do have a closing
21 remark. The Department of State -- it's opening
22 our vacancy announcement in two weeks, and we're

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1 always looking for good people, so point them to
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2 us.

3 (Laughter)

4 GENERAL WILLIAMS: Okay. That was not a
5 part of the script, but --

6 (Laughter)

7 GENERAL WILLIAMS: Let me just say, the
8 whole reason this became one of the thinking
9 concepts that we rolled out 10 months ago --
10 because for the reasons that Greg, Rob, and John
11 have spoken to, and what we're interested in here
12 is creating a team, a strong and effective team
13 onsite, and we need a director, a manager from our
14 side, inasmuch as it's our project, who has that
15 capability here. And, you're right, it's not
16 based on any one of those long suits. Ideally, we
17 would like for the individual to have a checkoff
18 in all of them, but what is most important is that
19 this individual can do what we have asked to do
20 here, can create and maintain a strong team. So,
21 if there is a situation involving personality,
22 chemistry, etc., which -- soft issues -- we're

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1 looking for an individual that might be able to
2 work through and around those and still get the
3 job done, because naturally we're not interested
4 in just switching teams out. But the person who

5 is setting the tone or setting the climate, we
6 want that person to be very rounded and good
7 people skills and able to work through situations
8 and keep the team strong and in a productive mode.

9 Now, these concepts, quite frankly, are
10 not just for OBO. This is our OBO -- this is
11 OBO's thinking; this is our direction. But,
12 obviously, our industry partner has a role to play
13 as well, and that's the reason I think all of this
14 -- at the end of the day, these together will
15 level the playing field, because if all of us,
16 both government and industry, are thinking about
17 how to keep this team strong, obviously it's going
18 to benefit the project as we move forward. So,
19 that's what we were trying to deal with here.

20 Are there any questions by the panel of
21 the presenters? Yes, Ralph.

22 MR. ELLIS: Well, folks, I just want to

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1 say that I agree entirely with what Greg said.
2 I've seen, you know, several instances where it is
3 better just to change people and start out fresh
4 on a project, and, frankly, I see contractors more
5 willing to make that change than owners. Perhaps
6 it's the lack of flexibility in their systems, but
7 it's something to keep in mind, and it's better to
8 make a change than it is to see a project get into

9 trouble, and it is a reality.
10 GENERAL WILLIAMS: Right. Agree. Other
11 comments concerning this topic?
12 MR. MINER: General, may I ask a
13 question?
14 GENERAL WILLIAMS: Yes, by all means.
15 MR. MINER: The list is fantastic.
16 Right on the mark. Very helpful. These are
17 supermen and superwomen. They're not born;
18 they're made. My question is do you have examples
19 of things that you have done in your organizations
20 or that you've heard your colleagues doing to
21 mentor people to this level of expertise? In our
22 own intern program, we've tried some rotational

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1 assignments, making sure that people get
2 experience in a lot of different areas, and then
3 they choose a direction, a career path, but we
4 would like to do more to, in a formal way, expose
5 them to the work, how to deal with clients, how to
6 deal with customers, how to deal in conflict
7 situations. Very often people are excluded from
8 that. Those are private things. How does a young
9 engineer, architect, planner, project manager get
10 trained to achieve this level of expertise? Any
11 suggestions on what we could do there?

12 MR. THOMPSON: In our company,
 13 obviously you start out (off mike) discipline
 14 lead. If you're a structural engineer or an
 15 electrical engineer, the very bottom of that
 16 project team, you are given an assignment as the
 17 lead for that discipline on a project. But we
 18 also have a project management training program
 19 that includes both in-house and external
 20 seminars, and over the years you have to attend
 21 and receive certification in all those training
 22 programs so that will lead you many years later to

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1 have the title project manager. We don't confer
 2 that title on an individual unless they've gone
 3 through all of the training that has been
 4 prescribed for that position. So, that's how we
 5 manage in our organization -- development of
 6 engineers that eventually take over the
 7 responsibilities as project managers.

8 MR. PAWULAK: We also have something
 9 very similar to what Gregs was talking about, and
 10 it's a sort of career path process, if you will,
 11 in trying to identify people who have leadership
 12 capabilities and who can move into those project
 13 management positions. It's as critical as sending
 14 a person to school to make sure that he's being
 15 looked at as to his qualifications to lead, team

16 build, motivate, negotiate, deal with clients,
17 which are extremely difficult for some technical
18 people to do.

19 But that career path is sort of similar
20 to what the military did. It's not an up-and-out
21 sort of thing in our industry, but it does give
22 some path for progression to follow where managers

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1 can recognize a person for their skills, and we
2 have folks in our company that have been there for
3 25 years who started out as an apprentice who are
4 now operations and maintenance managers, but they
5 have demonstrated, along the way, that they have
6 the capability of dealing with clients, you know,
7 on all those lines of communication -- the
8 verticals, the horizontals, the diagonals -- and
9 those are the ones that moved up, and they need to
10 be evaluated as part of the evaluation process
11 that you have -- is to make sure that that's being
12 evaluated -- their leadership skills, you know,
13 their communication skills, to make sure that
14 weighs in, as well as how well they can design or
15 turn a wrench.

16 MR. VERMA: Okay, yes, Lee.

17 MR. EVEY: I would make a couple of
18 additional recommendations. First, it was an

19 excellent presentation.
20 One is get to them early. I remember
21 approaching a young engineer on my program who
22 seemed to be particularly low and asked him what

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1 the problem was, and he described that he felt
2 totally unable to deal with the environment we
3 placed him in. And the way he expressed it was I
4 spent 16 years learning how to be an engineering
5 and you didn't understand, sir, that for four of
6 those years while I was in the university if I
7 were caught talking to another student and working
8 together to solve a problem we both got an F,
9 because it was cheating, okay, and you bring me
10 onto your program and the first thing you do is
11 introduce me to my team and say this is your team
12 and you're going to be working -- he said I'm
13 totally unprepared to deal with it. I've never
14 been trained in that at all. So, one of the
15 things I think you can do to really help yourself
16 is make sure that people understand from the very
17 outset that those are important characteristics,
18 just as important as their technical capabilities,
19 and you provide that training from the very
20 earliest opportunity in their careers, not wait
21 until they're mid-managers, you know, because you
22 can you can do them tremendous benefit earlier in

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1 their career.

2 And, secondly, I would recommend you

3 remain sensitive to the impact that your

4 acquisition decisions have on an environment.

5 Bottom line, people respond to the environment in

6 which they find themselves, and no matter what we

7 say about what we want, what we reward is the real

8 message, and so I've always tried to place a lot

9 of attention to the structure of my acquisition

10 environment, the way the contracts are written,

11 and the behaviors we reward, and what it is that

12 we try to communicate through all those reward

13 systems in terms of our expectations for behavior

14 and performance, and I think that you're trying to

15 do that. I think you're trying to pay more

16 attention to those things here than I've seen in

17 most any other environment in the government, so I

18 think you're clearly headed in the right

19 direction, but I reinforce how important that is.

20 GENERAL WILLIAMS: Thank you very much,

21 Lee.

22 Yes.

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1 MR. McKINNIE: Just two quick comments.
2 The State Department at the end of last year is --
3 at the outset, it is starting to implement what's
4 called its career development for foreign service
5 construction engineers, so we're fortunate they
6 have taken the initiative and moved forward for us
7 to put in place career development plans for those
8 who are coming in, in this year's foreign service
9 construction engineers class. They have a path
10 forward for a career with the State Department.
11 That's the first.

12 And the second thing is that we in the
13 Construction Division -- we pair a project
14 director, the more senior person, with a
15 construction manager so we've got a junior person
16 and a senior person to work through the project
17 together.

18 GENERAL WILLIAMS: Okay, are there any
19 other comments on this subject?

20 Well, let's close it down and make a
21 transition now for lunch after this
22 two-and-a-half -- two-plus hours, and we're going

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1 to go to lunch. We'll return back after lunch.
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2 We have three very exciting topics to talk about
3 after lunch: Design- build -- two of them of the
4 design-build flavor; and then we're going to talk
5 about the site-selection business, which sometimes
6 is forgotten about until you're halfway through
7 construction and say gee, if I would have been
8 three miles down the road or up on that hill it
9 would have been a lot better, so we thought we
10 would begin to talk about that somewhat as well.

11 I want to thank everybody for their
12 participation this morning. We have dealt with
13 two of the delicate topics that we are tossing
14 around in very much a part of this new direction
15 that we are trying to go, and at the end of it all
16 we're really trying to make certain that we are
17 better across the board than we were before we
18 started, so these are improvement areas for us
19 that we can make and then later on put them in our
20 process and hopefully lean out some of the fluff
21 that we have had in previous years.

22 Okay, I do want to do a couple of things

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1 before lunch. Gina's going to come forward and
2 explain the lunch arrangements, but we have a lot
3 of people beyond the panel that have been looking
4 at the backs of the panel and their nice heads,

5 and we don't want to recognize -- we don't want to
6 go to lunch without recognizing your presence,
7 because we are open and transparent. We want you
8 to know what we are thinking in the organization.
9 And for that particular reason, we are delighted
10 that you could be with us and we want to recognize
11 your presence.

12 Now, this doesn't mean cut and run, and
13 we want to see you back so you can pick up the
14 rest of the afternoon, but we do want to recognize
15 you.

16 Starting with the gentleman over in this
17 corner.

18 MR. PREZIOSO: My name is Luigi
19 Prezioso. I'm with NTD here in Virginia.

20 GENERAL WILLIAMS: Good. Yes, ma'am.

21 MS. QUEJAS-RIDON: Joyce Quejas-Ridon,
22 (off mike).

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1 GENERAL WILLIAMS: Okay.

2 SPEAKER: Off mike).

3 GENERAL WILLIAMS: Good.

4 MR. SIZEMORE: Good morning. Ray
5 Sizemore, executive vice president, (off mike).

6 GENERAL WILLIAMS: Good, thank you.

7 MR. BARR: Dave Barr, with GAO.

8 GENERAL WILLIAMS: Thank you, Dave.

9 MS. McKISSACK: Deryl McKissack,
10 president and CEO (off mike).
11 GENERAL WILLIAMS: Thank you, Deryl.
12 SPEAKER: Jim (off mike) Corporation.
13 (off mike) speak with both Paul and Jay about (off
14 mike) operation and maintenance program.
15 GENERAL WILLIAMS: Okay, good. You're
16 at the right place.
17 Yes.
18 MR. KUBIC: Good morning, General, I'm
19 Chuck Kubic, the president of DCC International.
20 We're a general contractor, and in this morning's
21 session (off mike) this afternoon, but
22 interestingly (off mike) how we receive the

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1 upcoming in our schedule (off mike).
2 GENERAL WILLIAMS: Yes, we'll be happy
3 to lay that out when we first get started after
4 lunch.
5 MR. KUBIC: You know, all of the sites
6 are test sites and it takes some long-range
7 planning (off mike).
8 GENERAL WILLIAMS: Right, sure. Thank
9 you.
10 SPEAKER: (off mike)
11 GENERAL WILLIAMS: Now, okay, let me

12 just skip over my OBO people here and, in fact,
13 the gentleman who can start whispering in your ear
14 right now is next to you.

15 (Laughter)

16 GENERAL WILLIAMS: Why don't you have
17 your biscuits together today at the -- okay.

18 Okay, now I'm not going to ask Harvey
19 Bernstein to stand up. He's an alumni. So,
20 Harvey, why don't let these new panel members know
21 what it's really like.

22 MR. BERNSTEIN: I have to say I've been

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1 serving on this panel. It's interesting to see
2 the evolution (off mike) just amazes me (off mike)
3 me the most, General, was the fact that when you
4 started out being one of the first members of the
5 panel, now with the assignments between your team
6 and members of the panel, I think that's a perfect
7 step forward --

8 GENERAL WILLIAMS: Thank you.

9 MR. BERNSTEIN: -- and I (off mike) more
10 of the actual (off mike) and talent from those
11 sitting around the table and some solution. (off
12 mike) that you and the entire team (off mike).
13 So, it's a pleasure to be able to sit in this
14 morning to see what's going on (off mike).

15 GENERAL WILLIAMS: And thank you for
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16 being a strong supporter.

17 Yes.

18 MR. FERRY: Ed Ferry, AT&T (off mi ke).

19 I know you guys are 75 years old. We're 120 years
20 old.

21 (Laughter)

22 GENERAL WILLIAMS: Okay, yeah, that

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1 should fit. Okay.

2 Yes, sir.

3 MR. WALDSCHMIDT: (off mi ke)

4 Wal dschmi dt, (off mi ke) Bui l di ng Securi ty from
5 Hei del berg, Germany, and we're 200 years old.

6 (Laughter)

7 MR. WALDSCHMIDT: We (off mi ke) wi ndows
8 (off mi ke).

9 GENERAL WILLIAMS: We're delighted to
10 have you here.

11 Yes.

12 SPEAKER: Good morni ng, General .

13 GENERAL WILLIAMS: Morni ng.

14 SPEAKER: (off mi ke)

15 GENERAL WILLIAMS: Thank you. Thank
16 you.

17 MS. ANDERSON: Good morni ng, General .

18 GENERAL WILLIAMS: Morni ng.

19 MS. ANDERSON: Mary Anderson, (off
20 mi ke). Glad to be here.
21 GENERAL WILLIAMS: And Mary Ann also is
22 a former board member, and do you have -- panel

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1 member. Do you have anything to add to Harvey's
2 comment?
3 MS. ANDERSON: Well, I certainly agree
4 with his perspective and (off mi ke) seen his
5 program evolve, and the most helpful and I think
6 the biggest step forward is the mentoring that's
7 in place where your panelists can actually
8 interface with their mentor. (off mi ke) good idea
9 (off mi ke) from your perspective, and then they
10 can go out to their associates in their
11 communities (off mi ke).
12 GENERAL WILLIAMS: Mary's a strong
13 supporter. She keeps working for us away from the
14 panel. Thank you.
15 Yes.
16 MR. SHINNICK: Good morn ing, John
17 Shi nni ck, (off mi ke) Corporati on.
18 GENERAL WILLIAMS: Thank you. Yes.
19 MR. SHEPHARD: Good morn ing, General .
20 Ben Shephard from Project Devel opers. As well ,
21 I've been attending these meetings (off mi ke).
22 I'll be coming back (off mi ke).

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1 GENERAL WILLIAMS: Good, thank you.
2 Delighted to have you.
3 Yes, sir.
4 MR. RIDGELL: Good morning, my name is
5 Vince Ridgell (off mike).
6 GENERAL WILLIAMS: Thank you. Yes,
7 ma'am.
8 MS. HAA: Good morning, General, (off
9 mike) Haa. It's a pleasure to meet you. (off
10 mike) and delighted to be here.
11 GENERAL WILLIAMS: Great, nice to have
12 you. Yes, sir.
13 MR. BANKER: Good morning, General, (off
14 mike) Banker, (off mike) Incorporated. (off mike).
15 Thank you.
16 GENERAL WILLIAMS: Delighted to have
17 you. Yes, sir.
18 MR. LEE: Good morning, General.
19 GENERAL WILLIAMS: Morning.
20 MR. LEE: (off mike) Lee, PAE. We're
21 only years old (off mike), and we're in the
22 process of (off mike) to get even bigger. And,

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1 sir, last time you said -- we talked about O&M and
2 you said (off mike). You were right on the money
3 (off mike).

4 GENERAL WILLIAMS: Right, okay, we got
5 it. Yes, right there, good. Yes.

6 MR. HULLINGER: Chris Hullinger. I'm
7 with (off mike) Management Division, and with the
8 HAZMAT program, and (off mike).

9 GENERAL WILLIAMS: Okay, thank you.
10 Yes, sir.

11 MR. ROBINSON: I'm Lew Robinson,
12 architect with (off mike).

13 GENERAL WILLIAMS: Thank you. Yes.

14 MR. SHIRVINSKI: Adam Shirvinski with
15 EMSI. Good to see all the panel members and enjoy
16 the interaction.

17 GENERAL WILLIAMS: Thank you, and thanks
18 for keep coming.

19 Yes.

20 MR. TESNOW: Aaron Tesnow, AES,
21 Technical Services.

22 GENERAL WILLIAMS: Thank you. Yes.

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1 SPEAKER: (off mike), Internal Review,
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2 retired GAO investigator.
3 GENERAL WILLIAMS: Okay.
4 (Laughter)
5 GENERAL WILLIAMS: Okay, all right.
6 Yes, sir.
7 MR. BURKE: Hello, General. I'm James
8 Burke. I represent a blast in a thermal
9 protection technology company, and we're still
10 trying to find a way to use that technology in
11 your program, so I keep coming to these and am
12 meeting a lot of good people.
13 GENERAL WILLIAMS: Okay. Well, that's
14 the important thing. Keep coming.
15 MR. BURKE: Thank you, sir.
16 GENERAL WILLIAMS: Okay. Yes.
17 MR. BROWN: I'm Perry Fowler with the
18 Associated General Contractors. Glad to be here
19 and (off mike) to help keep things going.
20 GENERAL WILLIAMS: Delighted to have
21 you.
22 MR. BROWN: I have John here

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1 representing us.
2 GENERAL WILLIAMS: Good, um-hmm.
3 MS. COX: Good morning. I am Kimmie Cox
4 with Burling & Robertson. We are a 125-year-old

5 engi neeri ng fi rm.
6 (Laughter)
7 GENERAL WILLIAMS: Okay, good.
8 MR. BROWN: Good morni ng, General .
9 GENERAL WILLIAMS: Good morni ng.
10 MR. BROWN: Bi ll Brown, executi ve vice
11 presi dent of Page, Southerl and & Page, Archi tects
12 and Engi neers. One comment I wanted to make on
13 the last subject matter, on the development and
14 maintaini ng of project di rectors. I thi nk you
15 might want to gi ve consi derati on to rewardi ng team
16 behavi or as a means of rei nforci ng the i dea that
17 Gregs talked about, about chemi stry and so forth,
18 of rewardi ng the team versus the i ndi vi dual coul d
19 go a l ong way to faci li tate that.
20 GENERAL WILLIAMS: Um-hmm. Excel l ent
21 poi nt. Excel l ent.
22 Yes, si r.

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1 MR. STEWART: My name i s Dani el Stewart.
2 I' m wi th Hi ll Internati onal , a constructi on and
3 cl ai ms management fi rm. I' m vi ce presi dent of the
4 Constructi on and Cl ai ms Group here i n Washi ngton.
5 Ni ce to be here.
6 GENERAL WILLIAMS: Del ighted to have
7 you. Yes.
8 MR. VARGAS: Good morni ng, General . My

9 name is Felix Vargas. I'm a director of business
10 development for Foreign International and probably
11 the only retired foreign service officer here.

12 GENERAL WILLIAMS: Right.

13 MR. VARGAS: Delighted to be a part of
14 this, sir.

15 GENERAL WILLIAMS: Okay, good. Okay,
16 yes.

17 MR. McCORMICK: I'm David McCormick,
18 (off mike) Associates in Baltimore, Maryland.
19 We're an architect and engineering firm, and I'd
20 like to express my appreciation for this open
21 communication environment. Looks great.

22 GENERAL WILLIAMS: Thank you. Thank

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1 you.

2 MR. KILBEY: My name is Lionel Kilbey.
3 I'm executive vice president of W. Sphinx & Sons.
4 That was established in 1866.

5 (Laughter)

6 MR. McCORMICK: We're a 39-year-old
7 company. We're a major supplier to the federal
8 government of many, many products.

9 GENERAL WILLIAMS: Right.

10 MR. McCORMICK: Military tactical
11 equipment to building materials.

12 GENERAL WILLIAMS: Right. Thank you.

13 After lunch, you go sit with my friend from
14 Heidelberg.

15 (Laughter)

16 GENERAL WILLIAMS: Okay. Okay. Yes.

17 MS. GOSHOW: Good morning, General. I'm
18 Nancy Goshow, Goshow Architects here in the city.
19 I love to come to these panels, because I always
20 learn some great prohibition of (off mike)
21 understand more about your issues and problems,
22 and that makes our job so much easier.

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1 GENERAL WILLIAMS: Thank you very much.

2 MS. GOSHOW: (off mike) this opportunity
3 to do (off mike).

4 GENERAL WILLIAMS: Thank you. Thank you
5 for being here.

6 Well, it's important that we have good
7 open communication. That's what we have strived
8 for, you know, since we got started, and it's a
9 delight to have you all here. We hope now that --
10 Gina, you can explain the lunch arrangements,
11 okay?

12 MS. PINZINO: Yes, sir.

13 GENERAL WILLIAMS: Okay.

14 MS. PINZINO: Can I take a moment -- for
15 those of you who have not already signed up for

16 the industry event this year, please look on the
17 second -- on the last page of your booklet. There
18 is the information there on how to sign up for
19 that.

20 And then now on to lunch. If the
21 managing directors, panel members, and (off mike)
22 will follow Phyllis to the executive dining room

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1 for the lunch period. And for the OB0 staff here,
2 on the outside seating (off mike), if you could
3 just come stand outside as people -- as our
4 visitors exit, you will be required to escort them
5 to the lunch -- cafeteria and then return at
6 approximately 1:30?

7 GENERAL WILLIAMS: Right, um-hmm, okay.

8 MS. PINZINO: Thank you.

9 GENERAL WILLIAMS: Let me say one other
10 point before we depart. Those of you who are new,
11 Gina is our external affairs manager. She is the
12 link between the private sector and our
13 organization. She does a tremendous job with
14 this.

15 You are the best judge, so you tell me
16 if this is not accurate, and I think it's
17 appropriate to always give credit. She manages
18 this job alone with a very small staff and she

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19 does an incredible job with communication.
20 Communication is the key. I don't require her to
21 be an engineer or an architect, but to
22 communicate, and she keeps that channel open very,

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1 very well. And you are the best judge, and I get
2 a lot of your e-mails. So, I'm only echoing what
3 you have said.

4 Okay, let's go.
5 (Whereupon, at 12:05 p.m., a
6 luncheon recess was taken.)
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1 We have a strategic document. In fact,
2 it is the roadmap. It is the guiding document
3 that runs our program. It is updated annually.
4 It first was rolled out after some work in 2001.
5 The first edition came out in 2002. It is in the
6 hands of all the member of OMB who have anything
7 to do with our program, obviously, our Secretary
8 of State and the senior members of her staff, the
9 key members in the Congress, and each ambassador.
10 This is transparent, one with the GAO, one with
11 the Inspector General and so on.

12 We do this in order that there is no
13 mystery about what we are planning, where the
14 potentials are. And what it does for industry, it
15 telegraphs 6 years ahead, it tells you where we
16 are going to be in 2007, and specifically what
17 type job it will be and the opportunities for you.
18 Then, of course, there are 5 years which follow.
19 So anyone who is confused about our program, that
20 is really not an accurate statement because we
21 have gone to a great extent to try to keep
22 everybody informed.

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1 Now let me say another comments about
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2 participation across the spectrum of the
 3 community. Our program is not for a segment of
 4 the industry, it is for any element in industry
 5 that is capable of coming to the table, and
 6 capability would be a function of the size and the
 7 job and the opportunity that we are looking at.
 8 We have a smattering of \$150,000 jobs to \$75 or
 9 \$80 million.

10 So there is plenty of work round and
 11 about, and plenty of opportunity. I think
 12 everyone understands that because of what we do
 13 and the type of facilities, there is a security
 14 requirement that we have to maintain, but I do
 15 want to make certain that we all know that our
 16 program is open to all.

17 Let's pick up now and move on with
 18 paying more attention to the quality of the
 19 design-build team on site. We touched on this a
 20 little bit this morning, Greg did, by indicating
 21 that the contractor or the design-build team
 22 member had to be a player as well. I think the

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1 first thing is to ensure that we have a project
 2 director on site that can create and maintain a
 3 productive environment and that he or she has a
 4 strong team around them.

5 Now we want to look at a little bit
6 about quality because it takes two parts of this.
7 We are talking about the whole team because we
8 have to run fast, we have to be in agreement on
9 our documentation, and we have to be in agreement
10 on how we measure and what the metrics are. So we
11 are going to ask Gary Haney who is one of our
12 members, together with Will and Rob McKinnie of
13 our staff, and they can go in whatever order they
14 have arranged and lead us through that topic.
15 Will?

16 MR. COLSTON: Thank you, General. Also,
17 actually we were joking at lunchtime, we would
18 like to thank John, Greg, and Rob for doing our
19 homework earlier today, because basically we could
20 sit here today and say ditto on all the stuff you
21 said. That was fantastic, and those are certainly
22 the characteristics that we look for not just in

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1 the project director, but across the board in our
2 team members.

3 You saw this morning the Director really
4 put forward the results that the organization has
5 achieved over the last seven years which are
6 staggering when you think about it. You also look
7 at the Williams 20. And no matter what, when you
8 think about all those items, to me, the common

9 denominator is people and that none of that would
10 happen without people, and the people are the ones
11 who form those teams. So that is where it is to
12 critical that we look to our contracts, our
13 industry partners in making these results happen,
14 but then we also look like folks like yourselves
15 who are seated around this table and also around
16 the outside of the room to make it possible.

17 As I take a step back and I look at the
18 question of quality of the on-site design-build
19 team, I have to think about, number one,
20 procedurally how do we assure ourselves that we
21 are getting a good quality team. But then number
22 two, how do we maintain that team and keep that

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1 process moving?
2 Before I get into those details, number
3 one, I am going to say I am very happy that Gary
4 was able to make it. I know he had a conflict,
5 but he was able to reschedule. And then also Joe
6 Ruka (?), I would like to recognize him, because
7 in Gary's stead we worked very closely in
8 developing the comments today.
9 To begin with, clearly the source
10 selection is an area where it becomes critical to
11 help define the team that is going to come on

12 board to deliver the product that we are talking
 13 about, in this instance, the construction program,
 14 the Security Capitol Program. The first phase in
 15 the design-build delivery method is phase one
 16 where we down select contractor firms, and in that
 17 as we look at it, we draw on clearly looking at
 18 the professional qualifications and the experience
 19 of these firms, and by doing that we are able to
 20 down select high-quality firms that are able to
 21 deliver the product that we are looking for.
 22 Having said that, it is also important to

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1 recognize that having high-quality firms is not
 2 just the only place to be. The next step is to
 3 drill down that next further, get past just the
 4 firms themselves, and to look at the personnel.
 5 I think we all recognize in this room
 6 today, the construction industry, the construction
 7 industry, the design industry, at lunch Greg and I
 8 were talking about the challenges of trying to
 9 bring on professionals and the qualifications and
 10 the skills needed to do the work that we all do.
 11 And that is becoming very difficult with the work
 12 place that we have because of the demands and
 13 because of the business opportunities that exist.
 14 So it is important for us within the U.S.
 15 Government that as we go through our phase-one

16 source selection that we expand our competitive
17 pool, that we bring in enough people that there is
18 the opportunity to assemble these quality teams,
19 and I am happy to report in OB0 that we have seen
20 an expansion of that competitive pool. In the FY
21 '06 program we have 19 prequalified firms, and so
22 that is a real benefit. When you look back 5 or 6

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1 years ago, that pool was only about five firms, so
2 we have seen a dramatic increase, we have seen an
3 expansion of the resources that the contractors
4 can reach out and that we can reach out and pull
5 together and assemble these design-build teams.

6 With regard to the phase two, the actual
7 source selection where the RFP gets on the street,
8 our contract language is very clear. It defines
9 specifically those key personnel that we want on
10 our team, it defines some of their experiences and
11 those requirements. As the contractors submit
12 that information during our proposal process, we
13 review that and that is considered in determining
14 that the contractors are technically acceptable to
15 do the work. So those are the mechanical
16 functions within the source selection.

17 But then as I get into the contract
18 administration, that is where it becomes really

19 critical, because as you heard today, our business
20 is about solving problems, solving issues, and
21 having people who are able to work through those.
22 Conflict is inevitable, so it is important that we

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1 are able to work constructively through that
2 conflict and be able to meet the challenges and
3 the demands of our programs and to deliver those
4 products on a very fast-track schedule.

5 As I look across the way we do our
6 execution within OBO, number one, I think first of
7 all is the involvement of the team. I think it is
8 very critical to assure the quality of the
9 design-build team by having the individuals who
10 are going to be on site participate in that early
11 project development so that they get that
12 corporate knowledge that is so critical for them
13 to follow through when they finally get out into
14 the field.

15 Number two, I would say that we have
16 clearly the lessons learned that were mentioned
17 earlier today, being able to go back, take a look
18 at what occurred and be able to fold that into the
19 program, and be able to capture some of the items
20 that as we move through substitutions, as we move
21 through the standard embassy design that it has
22 become standardized and help assure the quality

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1 because everybody has a level understanding and
2 maintains an understanding of what is in the
3 program itself.
4 Then finally, one of the things that we
5 put great emphasis on most recently was dealing
6 with conflict resolution. When you run into a
7 situation where there is a confusion or there is a
8 question as to what was in the contract documents,
9 to be able to resolve it very quickly in the
10 field, and if it can't be, within a certain time
11 frame to be able to escalate that, and through
12 that escalation process and you move to the next
13 level, hopefully you are able to identify and
14 resolve that issue, but then if there are
15 personnel issues or personnel problems, that those
16 come to the forefront. I thought some of Greg's
17 comments this morning were particularly refreshing
18 because I think it is a very decision at times to
19 recognize that there is a problem with
20 interpersonal dynamics on a team and sometimes it
21 is very difficult to say one way or another that
22 this person is not right for this position and we

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1 are going to have to move him, particularly,
2 again, looking at the resource environment we are
3 operating in. Maybe the person we put on the
4 team, maybe the person the contractor puts on the
5 team, does not have all the skills on that long
6 list in being able to look at the team as a whole
7 and being able to assemble a team that is able to
8 fill the gaps or introduce those strengths. So
9 those are some of the things that we look at, and
10 we would be interested in hearing how you would
11 recommend having us help the contractors assemble
12 those good-quality on-site design-build teams.

13 MR. WILLIAMS: Gary?

14 MR. HANEY: From the perspective of the
15 architect here, I would like to make a few points
16 regarding how you can, it says, pay more attention
17 to the quality of the design-build team.

18 I think what you are really after is how
19 you can improve and be sure that the people and
20 getting them on-site, somebody talk about that a
21 second, because from our point of view, when we
22 answer an RFP or submit qualifications for you or

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1 the GSA there is always this chart that shows how
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2 you are going to be available and you are going to
3 spend 40 hours of your time per week, and we laugh
4 at that thing. It is like, first of all, if I had
5 team members sitting around with that
6 availability, I would be out of business.

7 So we are lying to you when we fill that
8 thing out because you can't help but fill it out
9 that way.

10 So in 2 years from now, he is going to
11 be available? Maybe. I don't know. But if he
12 is, then my business is hurting.

13 I'm just telling the truth here. I
14 can't help it. So that is your sort of first
15 level of problem, if you will.

16 And the second level is you can't really
17 tell someone how to run their business, and
18 nothing rankles me more than a client trying to
19 tell me how to run my business. So there are two
20 fundamental problems here to kind of getting the
21 right person.

22 One way around that, and the GSA does

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1 this, they insist that the project manager be
2 presented at the interview. And not only that, we
3 take that to mean that person runs the interview
4 on our behalf so that you can see the interaction

5 between the manager, and even if there is someone
 6 at a higher level in the organization, we are sure
 7 that he is seen as the person who is running that
 8 interview just as if he would run this job. This
 9 is very effective for us, and it is also a way for
 10 you to get a feel for the qualities of that
 11 person, his chemistry that Greg was just talking
 12 about.

13 Then finally, the other point that Greg
 14 made was if it is not working, you need to make a
 15 change. The team needs to feel comfortable
 16 enough. No one likes to fail. And people
 17 generally don't fail because there is something
 18 wrong with them. You have already prequalified
 19 this person's resume, so they ought to be able to
 20 do the job. There is something else. There is
 21 some pressure that they are getting, profitability
 22 or they don't like someone or they just don't feel

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1 comfortable in the situation. You have to be able
 2 to as a team to gracefully and without upsetting
 3 any contractual commitments make a change for the
 4 betterment. So I think those are three points
 5 there that I would like to make.

6 The other thing that is different is
 7 from our point of view, your whole program is
 8 about building overseas. My program isn't. In

9 fact, I am suspicious in a business sense if 40
10 percent of my work is overseas. So the resources
11 that I have that are willing to expatriate or my
12 program for paying Europe expatriate is a burden,
13 and it is particularly a burden if it is in a
14 dangerous area. That raises a whole lot of issues
15 for us in terms of insurance and risk management.
16 So it is different. It is how you work, it is a
17 small portion or a smaller portion of how I work.

18 The other point I want to make is in a
19 design-build scenario the project manager won't be
20 one of my people. It will be one of the
21 contracting people. In fact, my people will have
22 a light touch on the project in terms of being

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1 on-site, the architects. They will go for sight
2 and they may go again for keystone selection or
3 something like that, and they move go at move in.
4 But I won't be sort of expatriating architects
5 there. That will be the contractor's person and
6 they are responsible for that in an SED
7 design-build scenario. I think that's it.

8 MR. WILLIAMS: Is there anything further
9 from that team? Rob?

10 MR. McKINNIE: I do have one comment
11 tangentially related to what Gary was saying. On

12 the construction site, one of the first meetings,
 13 the meeting of the minds of the project manager
 14 and the project director, will be the
 15 preconstruction meeting. At that meeting, they go
 16 over or they come to a meeting of the minds as to
 17 how they are going to proceed for the duration of
 18 their existence together. One of the issues on
 19 the agenda for that meeting is the arrival of all
 20 the team members who are going to be involved in
 21 the construction phase.

22 At that meeting, they are to come

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1 together and decide when these people are going to
 2 arrive. That is very well the first point of
 3 friction, the very first point of frustration
 4 because the project director has language that
 5 says these individuals are to be here, and at the
 6 same time, the project manager is saying I am not
 7 ready for them, I am not going to bring them until
 8 60 or 70 percent of the way there. So that is one
 9 of the biggest challenges we are faced with.

10 MR. HANEY: This is actually common with
 11 other government entities where the way that we
 12 survive as businesspeople is we bring resources on
 13 board as they are needed and often times a
 14 government entity, particularly foreign
 15 governments, will require you to have them there

16 whether they are needed or not. Again, that sort
17 of runs counter to our business mentality because
18 we are very mindful of having people arrive at
19 exactly the point they are needed. Again, that
20 sort of gives us a competitive edge, but it makes
21 it hard, again, to predict, if you will, their
22 participation especially if you submitted your

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1 qualifications a year ago or 18 months prior to
2 that.
3 MR. WILLIAMS: Let me just say a word
4 about what is slightly wrong with that picture.
5 Having been through this myself, I can understand
6 the phasing in of staff, physical permanent
7 presence on the job. But for critical points in
8 the project where there are decision nodes and
9 knowledge and understanding how the project is
10 going to go such as a precon, I think the
11 individual who is going to touch it all individual
12 who is going to touch it all whether it is
13 tomorrow, next week, or next year, got to hear
14 that. Because you are teaming up with another
15 customer we have which is the ambassador and his
16 staff and we are talking about things. We are
17 talking about all that we have been passing paper
18 about through the process and some of the

19 questions that were asked before forewarned, and
20 now we are getting ready to launch. And
21 particularly questions that pertain to the
22 behavior of the ultimate customer, is this going

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1 to be out of their way, this type of thing. I
2 think it is absolutely critical for open
3 communication and transparency that the key
4 designated team people make the trip and be there.
5 Then if they have to go back and come
6 back next month, it is recorded that you sat
7 through the meeting and this eliminates any issue
8 down the way where there is no clarity about that.
9 And we are just interested in making certain that
10 there is absolutely room for any misunderstanding
11 of how the path is going to be proceeding. I
12 think that was what you were getting at.

13 MR. McKINNIE: On target.

14 MR. THOMOPULOUS: I think another
15 element that I would advise would be as you
16 prequalify design-build teams, it is really to pay
17 a lot of attention to the staff being proposed on
18 these teams of having some years of experience
19 with the companies rather than just a few years.
20 And I say that because in my experience where we
21 have been the owner's agents on most projects
22 managing the construction during the construction

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1 phase, we have had the greatest difficulties with
2 the contractor's staff, the project director,
3 project superintendent, that was hired for that
4 particular project. A lot more room for success
5 exists if it's a staff member who has been with
6 the organization, knows the culture of the
7 company, knows the company hierarchy, because when
8 they run into problems in the field, they know
9 exactly who to go to. And I think in your
10 assessment during the prequalification phase, I
11 would also look at how many years have these
12 people who have been proposed been with the
13 design-builders.

14 Another point I would like to just make
15 that is things are a little bit different these
16 days. In the old word of construction it was more
17 confrontational. If you go 20 or 30 years, the
18 project superintendents, they were there, they bid
19 the job, and I'm talking more from the standpoint
20 of a general contractor. And if they saw things
21 that probably could be fixed right away at no
22 little cost, there was a tendency to hold that

1 until the end and we will hit the owner with a big
2 change order. Things have changed.

3 In a design-build situation, there is a
4 lot more need for problem solving together along
5 every phase, and so there is less of that
6 confrontational attitude. And again that is
7 another issue, the warning signs that if you have
8 a project design-build team staff that are more
9 confrontational at the beginning, I think as OBO
10 you should be calling a meeting and saying this
11 isn't going to work.

12 MR. WILLIAMS: That's exactly what we
13 are talking about. We need to have good eyeball
14 contact and handshakes and everything up front
15 because we are launching. We are going to live in
16 this space capsule together, so we are going to
17 make certain before we take off that we are okay.
18 So I think that was the premise behind that
19 comment.

20 Is there anything else?

21 MR. EVEY: I am stealing I think now
22 from later on.

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1 MR. WILLIAMS: That's okay.
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2 MR. EVEY: But, Will, I would like to
 3 spin off from what you said about source
 4 selection, and there are several things that come
 5 to mind. The first thing is just to preface which
 6 is to say early in my government career I used to
 7 think of myself as a pretty important guy because
 8 I was the contracting officer or I was the project
 9 manager. Toward the end of my government career
 10 of 32 years, I began to see myself as much less
 11 important. Because the fact was, in that 32 years
 12 there were times when my programs ended up on the
 13 front page of The Washington Post, and there were
 14 times when I was really proud to see that happen,
 15 and there were times when I didn't want to get out
 16 of bed in the morning. And in each and every case
 17 when I appeared on the front page of The
 18 Washington Post whether it was good or whether it
 19 was for ill, I was there because a contractor
 20 either did a good job or did not do a good job on
 21 my program. It was never on the front page of The
 22 Washington Post because of something I personally

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1 did.
 2 I eventually came to learn that the only
 3 reason I was there, the only reason I was there,
 4 was to make that contractor successful. And that

5 is why we all exist as government employees,
6 because we are getting things done through
7 contractors, and it is to make those contractors
8 successful, and when you talk about the source
9 selection process which is where it all starts, it
10 all starts there.

11 I had the opportunity as a young
12 contracts guy and I worked for a guy named Joe
13 Capello (?) who was a legend in Washington, D.C.
14 I remember going to watch him interview
15 competitors. I remember him saying, Where is the
16 project manager?

17 And the project manager wasn't up here
18 in the interview group, he was way back in the
19 back of the auditorium. And he said, You come
20 right here. You two guys spread your chairs
21 apart. You come right here. Sit right here. And
22 all the questions went to the project manager

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1 because the project manager was the one who was
2 going to be on the site making that project run.

3 When we broke for lunch and the
4 contractor came up and said, Mr. Capello, is it
5 too late to change our project manager? I know
6 that I was observing something magic happen. And
7 I remember going to him and saying, Mr. Capello,
8 if you wanted to talk to the project manager, why

9 didn't you just tell them in the solicitation to
10 have the project manager there to interview? And
11 he said, Because then they would have had the
12 project manager there to interview because I told
13 them to do it. So you'll notice I didn't tell
14 them who to bring to the interview, and I didn't
15 tell them to put the project manager in front of
16 me, and I didn't tell them what the capacity and
17 capability and years of education and background
18 and experience and all that for the project
19 manager, I didn't tell them any of that stuff. I
20 just told them how important our project was and
21 then I looked at who it was they showed up with
22 and that told me more about what that company was

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1 all about and what kind of a job they were going
2 to do for me than anything else would have ever
3 told me.
4 And that is something that I took with
5 me and used over and over and over again in my
6 career, which I don't answer the questions for
7 them, I don't solve the problems for them, I just
8 tell them what my problems, goals, challenges, and
9 constraints are and then you come and tell me how
10 you're going to fix it, and you send the guys who
11 you think are the most important guys to make that

12 happen.

13 MR. HANEY: This is the point that I was
14 making.

15 MR. EVEY: Secondly, I would make 50
16 percent of the evaluation a function of the oral
17 presentation, and in the oral presentation I would
18 give them a series of problems, this happens, this
19 is the situation, this is the problem you're faced
20 with, you got 10 minutes. Come back with your
21 answer as to how it is that you would handle that.
22 And that kind of being able to think on the fly,

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1 understand the problem, work the issue, put a team
2 together, come up with the answers, come back in,
3 present it, that is exactly the kind of thinking
4 you're going to be looking for on the job site.
5 If you're looking for it on the job site, why
6 aren't you looking for it in the evaluation
7 process.

8 And a final thing is, I would disagree
9 with you a little bit because what you're buying
10 is not a design-builder, you're buying a team and
11 the architects, the engineers, the subcontractors.
12 We don't even call them subcontractors anymore, we
13 call them subordinate team members or we call them
14 team players or whatever. We don't call them just
15 subcontractors because they are more important

16 than that. The people who are going to do all
17 that work, they are all members of the team and
18 you want to evaluate and you want to look at all
19 of those people. And the implication for the
20 design-builders who are in there successfully
21 competing for your work is if they only showed up
22 as a design-builder, they showed up with the

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1 wrong team. Because where are their architects,
2 where are their engineers, where are the
3 designers, where are the key team players who are
4 going to help make them successful on your
5 project? And that's what you hope they show up
6 with. If they're smart, that is what they will be
7 there with.

8 MR. WILLIAMS: Thank you. That is
9 helpful.

10 MR. ELLIS: Actually, Rob, I'm curious
11 as to why you can't get the staffing schedules
12 arranged in your proposal process? If that is an
13 issue, why can't you ask who is staff going to be
14 and when are they going to be on the project?
15 Can't we get those things worked out ahead of
16 time?

17 MR. McKINNIE: Some of those we have
18 already gotten worked out for the '06 projects.

19 MR. ELLIS: I mean, it seems logical
20 that if it is sometimes an issue, if we agree on
21 what we're going to do then we have less chance of
22 being a problem.

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1 MR. McKINNIE: But my earlier comments
2 were based on the fact that we had them mentioned
3 previously but they didn't actually show up at the
4 time scheduled. Now we have refined the
5 information that we are providing to them.

6 MR. ELLIS: I'm sure you guys know how
7 to deal with agreements that aren't not met.

8 MR. McKINNIE: That's where the
9 difficulty comes with the meeting of the minds
10 from the precon.

11 (Laughter)

12 MR. WILLIAMS: Are there any other
13 questions or comments on this subject?

14 MR. MINER: Just one clarification. One
15 of the side effects of a volume build program like
16 we have is there is just lots and lots of players.
17 As the General said, we are rolling out 12 a year,
18 and I think Will pointed out that we have 19 firms
19 prequalified. Some of those firms are going after
20 all 12, so let's envision that matrix, 19 firms,
21 12 projects, that is several hundred potential
22 teams. Sometimes they are the same, very often

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1 they are not. Sometimes it's the A team,
2 sometimes it goes all the way down to the Z team.
3 MR. WILLIAMS: But we know the
4 difference.
5 MR. MINER: Sooner or later we know.
6 But my point is, what you are saying is right, but
7 there is a due diligence necessary to make sure
8 that you are getting the best that you can from
9 the industry starts to kind of erode just because
10 of the sheer volume of it. Many of the folks who
11 are prequalified this year are currently building
12 buildings from the prior 2 years as well, so it is
13 tough.
14 We do not do any oral interviews, I
15 don't believe. Walter and Kate know more than I
16 do. We don't call them oral interviews, we call
17 them negotiations. When you are close to awarding
18 a contract when it's too late to really evaluate
19 and judge quality.
20 But just to clarify, that is one of the
21 real differences and challenges in our program,
22 but in theory we do try to do much of what you and

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1 Gary have pointed out.

2 MR. WALLACE: One of the things that

3 causes a bit of confounding in people's minds and

4 it is a hard thing sometimes for people to deal

5 with conceptually is experience and past

6 performance. People often get kind of tied up in

7 that, and me personally, I distinguish between

8 those two things and I find that helpful. The way

9 I distinguish it, the way I use the lexicon is

10 past performance accrues to companies, experience

11 accrues to people, and the fact is, one cannot

12 make up for the other. Both factors need to be

13 there.

14 So one thing you can evaluate is the

15 past performance of the company and I would

16 recommend it be evaluated in three ways, recency,

17 relevancy, and quality. That is, how recent is

18 the work that they have done, that it is relevant,

19 that is, it is similar in character, and then how

20 good was the quality that their former owners are

21 willing to stand up and attest to.

22 So if somebody comes in with a good

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1 history of recency, relevancy, and quality on what

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2 they provide as their past performance
 3 information, then that is excellent data to
 4 justify your very high ranking of that potential
 5 selectee from a company's past performance
 6 evaluation. But a company can have great past
 7 performance and put in a bunch a guys who have
 8 absolutely no experience on their team and it goes
 9 for naught. So you also need to make sure that
 10 you evaluate the experience of the people that
 11 they put up on your instant job, not all the
 12 experience of all the employees they have across
 13 everything, no. Who are the guys who are going to
 14 actually show up and do the job on your work and
 15 what is their relevant, recent, and quality
 16 experience as individuals.

17 And I think if you look at those two
 18 things, that helps gives you a good measure of the
 19 company, it helps give you a good measure of the
 20 team, and it provides you a nice understandable
 21 theoretical kind of framework to put all that
 22 stuff in, and I think it's helpful.

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1 MR. HANEY: Is it not possible to have
 2 an oral interview?

3 MR. MINER: It's possible.

4 MR. HANEY: I remember having at least

5 telephone calls with the State Department.

6 MR. MINER: We could, yes.

7 MR. HANEY: I think it has been
8 reiterated that actually seeing a person in action
9 whether it is leading an interview or answering a
10 tough question or a phone call I think would go a
11 long way, and the key person here I think clearly
12 is the project manager for the team, at least for
13 the design-build team, because they're
14 orchestrating the whole thing just like your
15 project directors are.

16 So I think it would be worthwhile to
17 spend that time. Perhaps it is not a formal
18 interview, maybe it is simple as a phone call, but
19 to see that person who is being proposed. You can
20 tell if the person has the capabilities. You have
21 the resume, but you want to see is how they
22 interact with you and your team. I don't know, it

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1 seems like it would go a long way to answering
2 number three.

3 MR. WILLIAMS: Thanks, Gary.

4 MR. DENTON: A couple of comments I
5 think to build on what Gary said. I have very
6 strong feelings that an interview is extremely
7 important because you are looking not only for how
8 they interact with you, but how they interact with

9 their people and you see subtle takes on if they
10 really have the authority to act or if they don't.
11 They look before they answer. So that is one
12 thing.

13 I think that is really, really
14 important. The second thing though on a contract
15 with what Gary said when he said if I got it
16 correctly, there are times when there is a lag
17 between when we are selected and when we need to
18 start and for us sometimes in running a business
19 it is difficult to ensure or guarantee that the
20 same people you talked to at the beginning may be
21 available when you're ready to move forward, if I
22 heard you correctly.

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1 My answer is I understand that, but
2 don't be surprised when I said that's fine, you're
3 going to send two people on the interview as a
4 replacement and I am going to pick one.

5 SPEAKER: That is fair.

6 MR. DENTON: So we understand it, but
7 then we say you just can't send me someone, we
8 have to go through the selection process all over
9 again.

10 MR. WILLIAMS: This is very interesting.
11 I am going to ask Lee because I know your

12 background. Who would be on the government side
13 conducting this interview?

14 MR. EVEY: That can vary considerably
15 based on the particular techniques that you use.
16 For me personally?

17 MR. WILLIAMS: Yes. I'm trying to see
18 if it's the contracting officer or is it my
19 project officer.

20 MR. EVEY: Me personally, I tend to have
21 the contracting officer do it because they tend to
22 have just more experience doing it, because they

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1 may do it over and over and over again, and they
2 can get pretty good at it after a while. Whereas
3 someone who is the program manager may do it once,
4 but then they're off on the program perhaps 3 or 4
5 or 5 years before it's completed and they get a
6 chance to do it again.

7 MR. WILLIAMS: We're getting ready to
8 have World War II here again. I see all kinds of
9 heads going.

10 MR. EVEY: But the thing that I would
11 really stress is that you are talking either this
12 or that, you're talking a shading of it. Who is
13 the person who actually leads the discussion? I
14 tended to have the contracting officer do it.
15 Actually, let me be more clear. I had a director

16 of acquisition who was a very senior acquisition
17 person who had lots of experience and they would
18 typically lead it. That does not mean that there
19 was not on my project manager also there
20 conferring with that person constantly, very
21 involved in the discussion, able to ask questions
22 and do follow-up, et cetera, they were very

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1 involved. But my personally, I tended to have the
2 head of my acquisition office lead that up.

3 MR. WILLIAMS: Are there other views on
4 that same subject?

5 MR. DENTON: I would also make sure my
6 project manager was at the table because that is
7 the person who is actually going to have the
8 relationship for the duration of the project.

9 MR. WILLIAMS: Rather than contracting?

10 MR. DENTON: No, I'd have them both.

11 MR. WILLIAMS: Both?

12 MR. DENTON: Absolutely. It would not
13 be one or the other.

14 MR. WILLIAMS: Got it.

15 MR. DENTON: It is extremely important
16 that they have a sense that this is going to be a
17 good relationship. The journey sometimes is as
18 important as the outcome for a successful project.

19 MR. EVEY: I agree completely with what
20 you said, and I hope that came across clearly.
21 They both ought to be there. There is no question
22 about that. The reason why I tended to lead

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1 toward my director of acquisition as the person
2 who would, if you will, take the lead in the
3 discussions is because people are so concerned and
4 so afraid of making an error and a mistake in the
5 source selection process that often people who are
6 not as conversant with it and they're not as
7 familiar with it will tend to restrict their
8 actions and restrict their questions because they
9 fear they will make a mistake, and it is just that
10 someone who has more experience with it
11 understands the limits of the flexibility they
12 have available to them.

13 For example, I have worked in agencies
14 that even had it as a policy, and I have certainly
15 worked with teams who took it as a built-in
16 constraint that they placed on themselves, and
17 that is, they allow themselves no flexibility in
18 the discussion processes so they tended to not do
19 follow-up questions. If someone said something
20 and you didn't understand it, rather than ask a
21 question that was not scripted, they would ask no
22 question at all, and yet clearly a follow-up

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1 question made sense and you needed to go in there
2 to understand what it was that the offeror was
3 really saying to you. My sense is just somebody
4 who is very experienced in acquisition is a little
5 bit more flexible in that area and that is why I
6 tended to do that.

7 MR. THOMOPULOUS: I beg to disagree. I
8 have been in my years in interviews, some run by
9 the contracting officer and they tend to focus
10 more on the procurement side, the regulations, the
11 government. There is usually chief of program
12 management or project management on the client's
13 side, where if you have an individual like that
14 who is not being sent out to the jobs but he is in
15 charge, he has got overall responsibility for
16 project management, that is usually a very good
17 person and can chair that selection or interview
18 process.

19 But I agree there should be other
20 members. The contracting officer should be there
21 and other key individuals. But I just feel that
22 project management, the chief or the head or the

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1 director has a lot more involvement in the
2 development of the project, in the scope, in the
3 terms of reference over not just the contractual
4 side or the procurement side, but the project
5 requirements who might be in a better position to
6 lead those discussions.

7 MR. EVEY: Are you interested in
8 continuing this further?

9 MR. WILLIAMS: Yes.

10 MR. EVEY: Some of the questions I used
11 to ask my people, because I have gone through this
12 many times where you take over an organization and
13 you turn it inside out, and so I would often have
14 discussions with my people and say things like let
15 me ask you a question. Let's say that this
16 requirement was not a government requirement.
17 Let's say this was your company and the way that
18 you sent your kids to college, put food on the
19 table, paid for your car, bought your home, was
20 dependent on this project being successful and it
21 is your company and it is your money. Would you
22 do it the way you're planning in doing it now?

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1 And they would say, oh no.
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2 (Laughter)

3 MR. EVEY: And I would say if that is
4 not the way you would do it with your money, then
5 what makes it right to do it with the taxpayer's
6 money? If it is a dumb way to do it, it's a dumb
7 way to do it. So what's a smart way to do it?
8 And we are going to make our government process as
9 close to that smart way of doing business as we
10 possibly can.

11 You know what? I agree completely with
12 you. There are lots of procurement guys out
13 there, lots of contracts people, they are really
14 interested in, Are we going to use version A or
15 version B of this clause? Well, that is not what
16 it is all about.

17 What they should be all about is, is
18 this a good business deal, is this taking us where
19 we need to go, is this a smart thing to do, is
20 this what I would do in private industry, is this
21 the way I would spend my money? And that very
22 rarely involves whether it is alternative A or

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1 alternative B of the clause. It is asking
2 fundamentally different questions than you often
3 see contracts people asking.

4 I agree completely with you, which is

5 another way of saying when you have a really good
6 contracts person, hold onto them with both hands
7 because they are worth their weight in gold.

8 They can do wonderful things for you if
9 you get the right ones.

10 MR. WILLIAMS: That's good. John,
11 you're moving around.

12 MR. BAROTTI: I'm going to agree with
13 what has been said. If this were the private
14 sector, you would have the head of contracting,
15 their head of their engineering department, the
16 project director would be sitting there because he
17 is interested in how are you going to get my job
18 built. The head of engineering is going to be
19 concerned with how are you going to resolve
20 problems when they occur, mister designer?
21 Everyone has their stakeholders who are involved
22 in this. They're all sitting at the table,

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1 they're all listening to how are you going to get
2 the job built, how are you going to resolve the
3 problems, and they want to get that personal
4 feeling from the team, the key members of the
5 team, of how they're going to interact together
6 through the course of the project.

7 MR. WILLIAMS: How much time would you
8 think an interview would consume out of 12 months

9 in the year? You know where I'm headed.
10 MR. EVEY: A maximum of about 2 hours.
11 MR. WILLIAMS: Two hours?
12 MR. EVEY: Yes, 2 hours. A maximum of 2
13 hours.
14 MR. HANEY: I don't think it would have
15 to be that long.
16 MR. EVEY: I don't think it would
17 either. I'm saying maximum.
18 MR. HANEY: You would assign 2 hours,
19 but the interview itself would be 40 to 45 minutes
20 to an hour.
21 MR. WILLIAMS: How would you respond if
22 you were told you didn't have time to do a 1-hour

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1 interview?
2 MR. HANEY: I'd do a phone call.
3 MR. WILLIAMS: Couldn't spare an hour?
4 MR. EVEY: Let me make sure I understand
5 what you're saying. If a competitor called me, a
6 government guy, and said I don't have time to show
7 up for an 2 hours?
8 MR. WILLIAMS: Anybody.
9 MR. EVEY: I'd say thank you very much.
10 I think you just answered my question.
11 MR. ELLIS: We know what we need to

12 know.

13 MR. EVEY: We know what we need to know.

14 (Laughter)

15 MR. EVEY: And the fact is I say a
16 maximum of 2 hours. The fact is, you are going to
17 know 90 percent of what you're going to get out of
18 that interview after the first 15 minutes. You're
19 going to know. The rest of it is just compounding
20 that.

21 MR. WILLIAMS: How much of the interview
22 information should be shared with the people who

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1 will be making the decisions?

2 MR. EVEY: I'm not sure what you mean.

3 MR. WILLIAMS: What if Rob came in and
4 said I participated in an interview today and this
5 was the result of it? What's wrong with that?

6 MR. EVEY: Let me back up a little bit
7 first. From my perspective, you have an
8 evaluation team. The purpose for the existence of
9 that evaluation team is to develop factual data
10 and information which they will present to a
11 source selection official who will ultimately make
12 the decision. In my world the way I ran it, and I
13 was always the source selection official, I never
14 personally took part in any of that stuff.

15 MR. WILLIAMS: The same with us.

16 MR. EVEY: They collected that
17 information and they provided it to me, but they
18 made no recommendations, they didn't suggest who
19 was going to be selected. They simply provided
20 factual data and information. The source
21 selection official is the one who makes the actual
22 decision.

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1 Everyone who is on that team for the
2 government is on that interview who is part of
3 that source evaluation team, they are all in that
4 interview. Nobody should be getting that
5 information second- or third-hand. So it should
6 be an integrated response for information feedback
7 to me.

8 Let me make a subtle or not too
9 subtle--and show you now I am starting to talk
10 about some of the stuff.

11 MR. WILLIAMS: It is obvious that you
12 don't know anything about this subject.

13 MR. EVEY: I know, and I just don't
14 care.

15 (Laughter)

16 MR. EVEY: There is a certain amount of
17 discussion that is going on saying the contracting
18 officer or the project manager or this person, and

19 Will can attest to this, one of the first points I
20 will always make with an organization when I take
21 it over is let me introduce you to the new world.
22 You are no longer an engineer. You are no longer

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1 a contracting officer. You are not longer a legal
2 guy. You are no longer a QA. You are no longer
3 any of them. You are now an acquisition
4 professional and we are all here for only one
5 reason and that is to do the best damn job of
6 selecting the right offeror and then to do the
7 best damn job of running this project so that that
8 offeror can be successful that we can possibly do.

9 So you are not an acquisition expert.
10 You may be an engineer involved in that
11 acquisition, you may be a contracting officer
12 involved in that acquisition, you may be a lawyer
13 involved in that acquisition, you may be a project
14 or program manager involved in that acquisition,
15 but what you are first and foremost is you are an
16 acquisition person here to make that process work.

17 In reality, I agree completely with what
18 you said. It is a team and they are all
19 acquisition people. Each one is reflecting their
20 particular perspective from where they are.

21 MR. WILLIAMS: Wonderful.

22 MR. DENTON: Yes, just one last piece.

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1 You used a lot of terms that are not in my world,
2 so let me just quickly define how I do it. If the
3 project is over \$50 million, there are three
4 people who are there, my project manager, my
5 associate vice chancellor for project management,
6 and me. If it is under \$50 million, they are
7 there, but they are making a recommendation to me,
8 but I don't go. I will not miss any interview for
9 a project over \$50 million because it is too much
10 on the line of me personally.

11 MR. WILLIAMS: You would not miss.

12 MR. DENTON: I will be there.

13 MR. WILLIAMS: Are there other comments
14 about this subject? Greg, what about you? Where
15 do you sit?

16 MR. THOMOPULOUS: I agree with what has
17 been said in general. I think personal interviews
18 are very important and it does show you whether it
19 is the project manager or the design-builder how
20 he or she runs that interview. It is going to
21 give you an indication of how he or she will run
22 the project.

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1 MR. WILLIAMS: Yes?

2 MR. COLSTON: First of all, I am just

3 thrilled with the amount of conversation and the

4 energy that is behind some of the conversation. I

5 can attest to what Lee and what you are all

6 saying. I have had the benefit of sitting on

7 those types of panels. You are absolutely

8 correct. In interviewing and dealing with the

9 project team that you are looking at bringing in,

10 you need the contracts professional there, you

11 need the project team there, as part of that

12 source selection panel. Then also what I found

13 particularly useful, and I am sure you can attest

14 to this, is throwing a scenario-based question

15 that that team does not anticipate in front of

16 them and seeing they respond on the dime and

17 respond to that specific issue. Whether it be

18 looking at an unanticipated change on the project,

19 you're out there, you're managing the project, you

20 got your design at 90 percent, by the way, the

21 tenant's world just changed and they came in with

22 a massive change to the floor plan. How would you

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1 respond to that? Give them half an hour to

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2 formulate a response and come back and answer.
3 You can really start to see those team dynamics
4 when you have those three, four, or five key
5 personnel sitting at that interview process. That
6 definitely is something that really is exciting
7 and is really telling.

8 MR. HANEY: Let me tell you that we hate
9 that.

10 (Laughter)

11 MR. HANEY: I think I have just made a
12 lot of trouble for myself.

13 MR. WILLIAMS: Let me ask another
14 question. The project director in our structure
15 is the person who runs the job on-site. Where is
16 that person during this interview process?

17 SPEAKER: At the table.

18 MR. DENTON: Yes, absolutely.
19 Absolutely at the table.

20 MR. WILLIAMS: Together with the other
21 acquisition team that will consist of contract
22 officers, project engineers, et cetera?

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1 MR. DENTON: I have to say that I have
2 also a contracts department led by an attorney.
3 He does not sit in the interviews. There are two
4 pieces of a contract that really matter. One is

5 the business decisions which actually are made
6 with the project manager. The second is those
7 discussions around risk assignment and what-not.
8 We are pretty unbending about that. We have a
9 contract and we expect this contract to be
10 executed. So the attorney would get involved with
11 the execution of the contract, but not in the
12 business discussions. So he is not at the table
13 in deciding who the consultant is because that is
14 really all about the business issues.

15 MR. WILLIAMS: That is correct.
16 Excellent point. Excellent point.

17 MR. EVEY: Do you want to continue this
18 a little further?

19 (Laughter)

20 MR. WILLIAMS: Okay.

21 MR. EVEY: Because what I would
22 recommend to you is don't get sucked into that

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1 risk-analysis stuff because if you start heading
2 down that road, it involves you in the wrong
3 lexicon discussing the wrong issues and looking at
4 it from the wrong perspective. I would recommend
5 to the government team, not the contractor's side,
6 but to the government team to recast your thinking
7 because most organizations do discuss potential
8 contract relationships and they talk in terms of

9 risk. And I would recommend that you recast that
10 risk as negative, by the way.

11 The best that you can do is that you can
12 low risk. That is still risk. That is still
13 negative. I would recommend that you recast that
14 terminology and you change your lexicon to
15 confidence. Confidence is a positive thing.

16 It is a contributive, positive thing.
17 Instead of saying I'm going to look at what you
18 talked to me about and I'm going to try to figure
19 out how much risk is involved in that and how
20 risky it is and how bad it is, I'm going to say
21 I've communicated to you these are my goals, these
22 are my challenges, these are my problems, and

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1 these are my constraints. I am looking for your
2 response to those four characteristics, and what I
3 am going to evaluate you on is my confidence that
4 you are going to be able to provide me a wonderful
5 solution to those four characteristics of my
6 contracting situation.

7 It enables you to do something that a
8 risk scenario doesn't enable you to do. If you
9 were to draw a graph of it, the best you can do is
10 you can get somewhere close to zero risk. That is
11 still negative. There is nothing positive about

12 that. But if you recast it in confidence terms,
 13 you can say I had two proposals that were exactly
 14 the same technically and I scored them exactly the
 15 same way, but because of differences in
 16 characteristics, I had much greater confidence and
 17 I'm going to add points, I'm going to add a
 18 positive evaluation, I'm going to add a positive
 19 spin on my evaluation of their proposal and there
 20 effect a better proposal. So I can give you a
 21 positive spin to it, whereas if all we do is talk
 22 about risk analysis, we're just talking about how

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1 much negative do we have.
 2 You can have two proposals that come in,
 3 technically they are essentially the same, but one
 4 gives you great confidence and the other gives you
 5 much less confidence and, boy, have you
 6 distinguished between those two proposals.
 7 MR. WILLIAMS: This has been
 8 interesting. I must tell you, from the standpoint
 9 of where I sit, this has been one of the most
 10 discussions that we have had for some time. I
 11 think it will totally follow my concern about
 12 stripping away and getting right to the core and
 13 getting the right people where they need to be.

14 What I have heard universally from this
 15 panel with all the years of experience in this

16 cross-sectional experience, and everybody else in
17 the room has heard it at the same time, is we are
18 talking about an exercise that would last 2 hours,
19 and I would stretch it and say 2-1/2 hours of
20 time. We are talking about everybody agreeing
21 that this should be something that should be done
22 because it gives a face to face, et cetera.

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1 Also I heard you say that under all
2 circumstances that person, man or woman, who is
3 going to run the job on-site must be at the table.
4 Not optional.

5 I have gathered those two points and
6 they are very helpful. My guys know what's going
7 to happen, so you guys can figure it out.

8 (Laughter)

9 MR. WILLIAMS: Let's move on to the next
10 one.

11 MR. COLSTON: I think we're going to
12 have more homework.

13 (Laughter)

14 MR. WILLIAMS: In fact, what I want is
15 Ed and Lee to prepare for next time, we don't
16 normally assign champions in the open because of
17 the intensity around this we are going to assign
18 champions in the open. We have a Williams 20. We

19 have already thought about this issue, and
20 obviously it has been concerning us, that in order
21 to make these Williams 20 work we really have to
22 look at the acquisition side of the house and how

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1 we want to deal with that. I would like for you
2 to two, and I will assign the appropriate people
3 from my staff, to look at that particular 20, Gina
4 will give you the clarity around it, and be
5 prepared at our next discussion to lead that. I
6 think it is appropriate that we continue to
7 explore this and hopefully by that time we would
8 have done some revamping in house and my folks can
9 interact to it and we can come out with a good
10 collective product.

11 Let's move along now to number four, and
12 it is shifting just a little bit, but it is ready
13 for construction sites.

14 MR. McNAMARA: Thank you, sir. It is a
15 tough act to follow, but I'll try.

16 Eleven months ago, General Williams
17 challenged the Office of Real Estate to deliver
18 sites ready for construction now. I think it's
19 number eleven in the Williams 20, but really for
20 real estate it is number one. There is nothing
21 that we do that is more important in delivering
22 sites ready to build. That is the goal, deliver

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1 sites ready for construction now.
2 What does that mean? We have listed
3 here what we see as the common elements of a ready
4 site, sufficient size and shape to accommodate the
5 program, utility infrastructure in place into the
6 site, zoning and planning approval is in place,
7 road access, clear title, clear of squatters and
8 buildings and foundations, clear of all debris, no
9 environmental, historical, cultural, or
10 archeological issues. No unexploded ordnance.
11 And no subsurface floor or other natural hazards,
12 or if there are, that we try to mitigate them.
13 Some of these elements relate to
14 physical condition of the site and others relate
15 to approvals and process and due diligence. But
16 this is the goal. This is what we try to do when
17 we acquire a site and prepare it for delivery to
18 the design-build contractor. We devote a lot of
19 time and energy to this effort during the site
20 acquisition process and the planning process
21 because we work very closely with our colleagues
22 in planning to make it a reality.

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1 Vicky Hartung from Real Estate is a team
2 leader on our Site Acquisition Team and she has a
3 lot of experience on the ground in acquiring
4 sites, so she is going to talk about the reality.

5 MS. HARTUNG: If you look at the
6 previous slide that we had up there, that was a
7 pretty long list of items of what we would like to
8 deliver to the design-build contractor. The
9 reality is, we cannot find sites like that.

10 They just do not exist out there. I do
11 not think I have found one yet in all of my site
12 searches and site evaluations. So this gives you
13 a little description as to what our limitations
14 are as to the sites that are available out there,
15 and also some of the site conditions that we deal
16 with when we are out there looking at sites.

17 I like to give examples or descriptions
18 of what we are talking about when we say, how can
19 we be limited in site size? When you are dealing
20 with capitals of countries, just like Washington,
21 D.C., for the most part they are fully developed.
22 Maybe there are areas that are going through

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1 revitalizations, but then you're going to get into
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2 an area of a site condition where you have to
3 demolish buildings or you have foundations there,
4 or you may have environmental concerns. So you
5 may have small sites in a capital city, you may
6 have large sites, but if you have large sites,
7 chances are they are going to have issues related
8 to them.

9 Also we talk about another issue that
10 has been coming up recently and that the General
11 is very familiar with and that is land values. It
12 has been an issue for us months recently in the last
13 year or two as we make our way around the globe in
14 real estate markets that are booming, and we have
15 seen the same thing here in this area. When we
16 start talking about 10-acre sites in a downtown or
17 central business district area, we could be
18 talking about multimillions of dollars. We have
19 seen land values on 10-acre sites go for \$30 to
20 \$60 million and that actually represents the
21 fair-market value of those sites. Quite frankly,
22 as the General reminds us constantly, Congress

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1 will never go for that so we have to find
2 something that is within the range that Congress
3 will approve.

4 We talk about geography when we talk

5 about our limitations. I have fond memories of
 6 going to St. Petersburg, Russia, and there is a
 7 river that divides the city in two. There are
 8 multiple bridges that cross the river, but the
 9 bridges go up between 2:00 a.m. and 5:00 a.m.

10 So the question is from a security
 11 perspective, what side of the river do you want to
 12 be stuck on somewhere between 2:00 a.m. and 5:00
 13 a.m. So it is all of those issues that we deal
 14 with when we are looking for sites and why we may
 15 be limited as to the sites that we are interested
 16 in.

17 There are some other examples of site
 18 conditions. Topography may be one. I can think
 19 of many sites where we had steep hills that we had
 20 to deal with, and we did. I'm thinking Istanbul
 21 was one of them.

22 From my perspective, the person who is

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1 on the ground leading a team of architects,
 2 engineers, planners, security folks,
 3 communications folks, and we have an array of
 4 sites to choose from. We evaluate all of those
 5 sites and we are looking at it as which one is the
 6 best site or which two are the best sites. And we
 7 have issues with those with those sites because
 8 you can never find a perfect site that is ready

9 for construction when you see it.
10 From a real estate perspective we say we
11 know we have issues. How are we going to deal
12 with those issues? How are we going to deliver
13 this site ready to build? This is what we do.
14 This not all-inclusive, by the way. There are
15 many more issues, but this is just simply the
16 three major ways that we try to prepare a site.
17 Ideally, we go to the seller. Not all
18 sellers are going to be experienced enough to be
19 able to clear occupants, demolish buildings or
20 prepare a site the way that we want it prepared.
21 Not all governments are going to be able to build
22 roads, or maybe they don't have the funding to

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1 build roads. But a combination, kind of a mix and
2 match of who we can feel comfortable with or have
3 that level of confidence in in who can do what
4 before we ever acquire the site.
5 We talked about risk, and there is risk
6 on the real estate side, too. How can we lower
7 our risk at the time that we acquire the site and
8 make sure that that site is ready to build or
9 ready for construction when we turn it over to the
10 contractor? Most of these things that you see
11 here we do before we acquire the site, but that is

12 not always the case. There are times when we find
13 ourselves acquiring a site and there is still work
14 to do.

15 Some of the common examples of that
16 would be filling a site, grading a site, and I
17 think the reason why that tends to be something
18 that we choose to do after we acquire the site is
19 because we are very specific as to what we are
20 looking for when we are filling or compacting a
21 site because by that time we already have a plan
22 as to what we are going to build on the site, what

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1 our grading plan is, things like that.

2 From here I am going to turn it back
3 over to Patrick to describe what we will deliver.

4 MR. McNAMARA: This is what we have
5 committed to OBO, General Williams and our
6 contractors to provide, and it is similar to the
7 slide we had up earlier. You would be surprised
8 how challenging some of these check boxes are.
9 Even getting clear title to a site is in a lot of
10 countries a challenge. In a lot of countries they
11 don't have good title records, there are multiple
12 property owners. You think you are dealing with
13 someone who owns a site and someone else will come
14 out of the woodwork just as you're about to go to
15 closing, and we have had that happen.

16 But anyway, this is what we are
17 committed to deliver, a site that is titled in the
18 name of the U.S., where all the planning and
19 zoning approvals are done, they are all in place,
20 where the utility is up to the lot line, utility
21 infrastructure, government approval for U.S.
22 Diplomatic use, certification that there are no

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1 known civil aviation, cultural, historical or
2 archeological issues. All boundary, topo and
3 utility surveys are done. Geotech surveys
4 including foundation recommendations, any
5 easements of right of ways to provide access.
6 That is what we are committed to deliver.

7 Vicky is going to talk about an
8 experience she had with a site in Djibouti.

9 MS. HARTUNG: Does everybody know where
10 Djibouti is located? Raise of hands. It is a
11 capital and it's a country.

12 Just a visual representation of this
13 site in a couple of different forums, and for
14 those of you on this side of the room, I hope you
15 can see that. The site is in green if you're
16 looking at the site plan. It's outlined in red if
17 you're looking at the imagery, and then you have a
18 ground shot and it looks like a lot of dirt. I

19 don't know how the panel feels about if that is a
20 good looking site from the ground photo or not,
21 but I will tell you about my experience of
22 acquiring a site in Djibouti for our new embassy.

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1 Djibouti for those of us who don't know
2 is actually located in Africa, on the Horn of
3 Africa. It is actually across the Gulf of Aden
4 from Yemen. It is a coastal desert climate. It
5 has a very strategic location because it controls
6 access to the Red Sea. It is a key shipping
7 route, and its economy is dominated by the port
8 there in Djibouti, maritime and commercial
9 activities.

10 The government of Djibouti is actually
11 relying on foreign assistance for major
12 development projects which limits the
13 infrastructure that we saw in the country as we
14 were looking for sites. Just so we can get a
15 perspective of the people there, their average
16 annual income is about \$450.

17 It is an interesting place to go and try
18 to identify a site that is ready for construction
19 now which did not exist.

20 We scoured the city. We looked in the
21 developed areas of the city which is where the
22 current embassy is located, and we also looked in

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1 the areas where development was moving more
2 towards the south, the cities in the north, and
3 then it is expanding down to the airport to the
4 south.

5 What we did was we went to the host
6 government to the Ministry of Foreign Affairs and
7 told them that we were building a new embassy
8 there, and they agreed to help us. So what we did
9 is we acquired a 10-acre site in that green L
10 shape that you see there from the government of
11 Djibouti.

12 The site is strategically located midway
13 between the developed city to the north and the
14 airport to the south. That area is where the
15 president's residence is located, security is
16 great there. Also you see that we are not right
17 next to the water or the sea there, we are about
18 two layers back and everything in front of us that
19 has the view of the sea are all very high-end
20 residential properties. We had a few there as a
21 couple of years ago, and they are just continuing
22 to build. We can tell not only though our visits

1 of going back there but also through imagery as we
2 check on our progress.

3 The pros of the site, one of them was
4 the location. You cannot get any better than
5 being close to the president's residence. They
6 already have some controlled access there. The
7 size of the property was what we needed, 10 acres.
8 It is in an odd shape. We say one of the things
9 that we are looking for is size, not only size but
10 also configuration, and one of the things that we
11 had to do is we had to go to our architect who was
12 on the team to say, Can we build what we want to
13 build here? Can we build our new embassy on this
14 odd-shaped site, and they said yes. So we checked
15 that box.

16 The other benefit of this site was that
17 we were buying it from the government and so you
18 know that if they are offering you a site, they
19 are going to be cooperative. All of those
20 approvals that Patrick mentioned that we want to
21 deliver along with the site, the historical
22 certification, the cultural certification, all of

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1 those things we were able to get from the host
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2 government because that is who we were acquiring
3 the site from.

4 What are the cons of the site? As it
5 says up there, it is an undeveloped site with the
6 need for major infrastructure. There were no
7 utilities there. There is no road to that site.
8 It is what you see on that ground photo.

9 It is a piece of dirt. The government
10 was slowly making its way bringing roads there.
11 For example, there are roads to the president's
12 residence, so we knew that the infrastructure
13 would be moving in that direction, but there was a
14 question as to will they bring it all the way to
15 our site for us in the location that we needed and
16 in the capacity that we needed.

17 What Real Estate does is along with our
18 planning counterpart and the architects and
19 engineers, we come up with our negotiation
20 strategy. That is, we are interested in the site,
21 but we need you the government of Djibouti to do
22 some things for us. This is one of the previous

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1 slides when I said we go to the seller, sometimes
2 we go to the host government and we ask these
3 different parties will you do these things for us,
4 because the end goal is to deliver a site that is

5 ready for construction.

6 Fortunately in Djibouti we were able to
7 convince them to include in our real estate
8 contract the bringing of utilities and roads to
9 our site, so that was resolved. The other issue
10 we had, as you can see, it is very close to the
11 sea, and it is not in a flood plain, but it is a
12 low-lying site and we always like to make sure
13 that our sites, of course, are above grade and we
14 have proper drainage.

15 One thing that the government of
16 Djibouti would not do was fill the site, the
17 reason being as I mentioned earlier, we were very
18 specific as to what type of dirt, what type of
19 fill we want to use, how it is compacted, what the
20 grading plan is and all of that, and I think the
21 government of Djibouti just kind of said I will
22 leave that up to you. So we said that's fine, and

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1 that's what we did. We acquired the site from the
2 government with the agreement that they would be
3 roads and utilities to the site, but that we would
4 be responsible for filling it and compacting it.

5 That does not meet the goal. We cannot
6 deliver a site to the construction that has not
7 been filled and has not been compacted or graded.

8 MR. WILLIAMS: Today we cannot.

9 MS. HARTUNG: Correct.

10 MR. WILLIAMS: Nine months ago that was

11 not the case. This is a part of the Williams 20,

12 to clean up leveling the playing field. If

13 anybody else was asleep, all the contractors

14 should be awake.

15 (Laughter)

16 MS. HARTUNG: Thank you, General. I'm

17 sorry if I'm putting everybody to sleep here, but

18 anyway, what we decided to do is we ended up

19 hiring a local contractor to fill and compact the

20 site so that it is ready for construction by the

21 time we turn it over to the design-build

22 contractor.

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1 That summarizes all of our previous

2 slides and gives you a real life example, because

3 the work is going on now, by the way, the filling

4 of the site, of what we do to prepare a site and

5 to get it ready for construction so that when we

6 turn it over to you guys, to the design-build

7 contractors, it is ready to go. With that, I

8 would like to turn it over to you, Director, and

9 to the panel.

10 MR. WILLIAMS: Was anybody participating

11 with you?

12 MR. McNAMARA: Yes, Ralph Ellis and Matt
13 Wallace, our champions.

14 MR. WALLACE: Thank you, General.

15 MR. WILLIAMS: Thank you.

16 MR. WALLACE: First, let me tell you
17 that it is an honor to be in the room with some of
18 these great minds, and to learn from some of the
19 people in this room is truly an honor.

20 MR. WILLIAMS: Thank you.

21 MR. WALLACE: I reached out to the
22 private sector and the public sector to get some

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1 feedback on what they did to deliver
2 construction-ready sites, and I spoke with
3 developers, construction companies and other
4 engineering entities in the government. Some of
5 the feedback which I have is going to be a little
6 bit redundant I think to what you guys might be
7 doing. Some of it is probably not going to be
8 applicable, but I thought it may be good for you
9 guys to hear it to give you some thoughts on how
10 other people do things.

11 First, people were very happy to hear
12 what you guys were doing to deliver
13 construction-ready sites. People were excited.
14 They saw some of the checklists that you guys have
15 and they were really excited and thought that the

16 forum that is presented here quarterly is a great
17 way to learn. They had some ideas on the current
18 processes that you are using and wanted me to give
19 some ideas on how to accelerate the process and
20 complete the projects more efficiently.

21 Security was a common concern throughout
22 most of the discussions that we talked about. One

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1 government agency has established a Security
2 Center of Excellence. Their whole mission is to
3 set up the security during the initial phases of
4 the on-site work. They used existing
5 infrastructures if possible to set up security
6 themselves and then would allow the contractors to
7 proceed.

8 They used existing infrastructures if
9 possible to set up security themselves and then
10 would allow the contractors to proceed.

11 We talked a lot about utility
12 infrastructure, and all of the contractors and
13 government entities thought that an excellent way
14 to get projects started on the right foot is to
15 have those utilities brought to the boundary
16 before the contractors get there. One of the
17 things that they have encountered in the past in
18 dealing with foreign governments is that some of

19 the utilities are not compatible with what the
20 site designs call for, so making sure that the
21 utilities have the right size capacity to run what
22 those buildings are going to need rather than

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1 having to retrofit and start by making things
2 compatible and taking up time and money.
3 What they thought would be a good idea
4 is to have the local contractors there if they had
5 the means and knowledge is to put in the utilities
6 to fit with U.S. and OBO standards, and if they
7 did not have that capacity, that the discussion
8 take place before the contractors got there of how
9 they are going to make it compatible.

10 Some of the developers working in the
11 United States obtained will-serve letters from
12 utilities companies and an idea would be to
13 implement a similar concept in the evaluation
14 process in order to ensure that utilities can be
15 brought to the site boundaries and outline the
16 process.

17 For zoning and planning, a suggestion
18 from a private-sector firm was to ensure that the
19 start of the NOB permit application start at the
20 time of the grading. The application process
21 ideally would begin when the test-fit site is
22 complete before the design phase is started, and

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1 they thought that that could shave 3 to 6 months
2 off of a project.
3 Having access roads in place was
4 something that construction companies really liked
5 the idea of because often they have to go in and
6 build themselves an access road. One suggestion
7 was to have that process come in two phases, an
8 access road that was not fully completed just so
9 the contractors could get their equipment to come
10 in, and one when the site was complete to finish
11 that.
12 As far as titles go for land, a
13 government agency which I was talking with
14 performs construction projects overseas and they
15 use a memorandum of agreement with foreign
16 governments and it was developed for construction
17 sites. The document serves as a right of entry
18 within 30 days to begin construction activity and
19 verifying ownership in countries like Afghanistan,
20 Iran, Bosnia, Kosovo, Kuwait, is difficult and the
21 government team did not like the construction
22 activities to begin before ownership was verified.

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1 The memorandum of agreement places the burden on
2 the foreign government to determine the true
3 ownership, and this way this government entity can
4 go in and start work after 30 days. I acquired a
5 copy of one for an example which I will share with
6 Patrick.

7 I mentioned that as far as clear of
8 squatters, occupants, buildings, and foundations,
9 one of the government agencies uses existing
10 infrastructure to begin the security process, and
11 when you are using existing infrastructure, you
12 have to make sure that what your are doing is
13 trusted so sometimes it not always the best, but
14 if at all possible, they thought it would be a
15 good idea to leave some of that infrastructure
16 there.

17 One of the issues that contractors have
18 is environmental permitting, and they thought that
19 often times it is left on the side to do as a last
20 process. A suggestion would be to start the
21 process as soon as possible to leave enough time
22 in case local protests or fights begin as a result

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1 of what is being put in.
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2 The contractors understand that
3 delivering a site ready for construction is not
4 always possible. They know that. They work
5 there. And they thought that planning the NOB has
6 improved significantly, and having space
7 requirements in place allow contractors to bid
8 more effectively. Having the floor plans helped
9 tremendously and allowed them to bid their
10 construction a little bit more lean without having
11 to put contingency in there.

12 One thing I thought was good, and you
13 guys have touched on that today, was having the
14 continuity of personnel throughout the project.
15 At one project, a contractor told me that they had
16 a project person who was there from the beginning
17 of acquisition all the way through the end phase,
18 and when questions came up about data, whether it
19 was geotechnical or structural, that person was
20 able to quickly identify what the information was
21 that the contractor was looking for, and sometimes
22 that data gets lost in translation from contractor

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1 to contractor especially when there are language
2 barriers.

3 Having the utilities in place before the
4 contractor arrived was a suggestion. They

5 suggested that we come up with a plan to begin and
 6 implement a solution before the contractor gets
 7 there. Some companies said they bid higher than
 8 usual as a contingency because they do not know
 9 what they are going to have to deal with when they
 10 get there, and it becomes something that you guys
 11 always do, I think you will see companies bidding
 12 a little bit more lean and competitively.

13 Breaking down jobs into smaller pieces,
 14 some companies said it created more problems
 15 because less-qualified contractors are working
 16 there to prepare the site and prices are going up
 17 because subcontractors are getting less work and
 18 need to make more profit per job. So they did not
 19 like the idea of breaking down the site prep into
 20 different jobs.

21 Another contractor said having four
 22 contractors working in a small site at once, and I

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1 take it with 10 acres it probably would not happen
 2 as much, but having one contractor on site per
 3 task could increase productivity, having State
 4 Department people working in access-controlled
 5 facilities one at a time as opposed to four, and
 6 spacing out the procurements and allowing time
 7 between start dates could help significantly.

8 That pretty much summarizes a lot of the
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9 feedback that I have had. Again, everybody that I
10 have talked to is in agreement that if you guys
11 could deliver the items outlined in the
12 presentation that it is going to streamline it and
13 make everything work more efficiently, and they
14 are excited to see this process come into place.

15 MR. WILLIAMS: Everything was important
16 that you said. The last sentence was the most
17 important, and that is the only reason we
18 published it. It is not paper. We do not do
19 that. Thank you.

20 MR. ELLIS: Thank you, sir. I just have
21 a few comments to add to the information that Matt
22 has collected.

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1 First, I think, folks, it is important
2 to place this commitment and this activity into
3 the context that it is in. I have looked around
4 fairly carefully and I cannot find anybody else
5 who does what you do. You have to acquire a site
6 that meets very strict operational criteria for
7 the facility you are going to put there. You have
8 to be able to prepare the site so that your
9 contractors can deliver the project in record
10 time. And you have to do it in tough
11 neighborhoods, and you cannot find anybody else

12 who does that. From what Matt has heard from his
13 contact with your contractors, they are impressed
14 with your ability to do that.

15 I would like to first mention what I
16 think is representative of the industry
17 expectation with regard to site physical
18 condition. Most of what we are talking about, but
19 not all, deals with the subsurface situation. The
20 standard is best of practice with regard to
21 engineering and investigation of the site,
22 geotechnical investigation, and environmental

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1 investigation. That is the first step. The
2 second step is to convey credible, quality
3 information to your contractor about the condition
4 of the site. So doing one without the other
5 doesn't quite get the job done. So we need to
6 give our contractors good information and reliable
7 information.

8 Having said that, I think that most
9 people in the industry recognize that that does
10 not guarantee nor does your commitment guarantee a
11 situation where we will never encounter an
12 unexpected subsurface condition. Those things
13 happen. So the third part of this approach to
14 this issue is to be able to with a team approach
15 develop good technical solutions to the problems

16 that we encounter, and timely technical solutions,
17 and I think that OBO's role in that endeavor is to
18 provide team leadership at the project level to be
19 proactive about identifying those problems and
20 providing what is sometimes a scarce resource, and
21 that is, decisions. We need decisions to be able
22 to move things.

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1 I think from what I can tell from the
2 comments of your contractors that you do a very
3 good job with that. I think my recommendation
4 would be that apparently your contractors do have
5 some input that may be useful to you with regard
6 to your preconstruction activities, and I would
7 encourage you to continue to seek that input from
8 those contractors. I take it for granted that you
9 do this, but I would include your project
10 directors in that list of people who can tell you
11 about what is going on at the project level. And
12 General, this is my personal opinion about this,
13 but I think that when you ask people for input, it
14 is a good practice to give them a response to
15 their input, and that is kind of the definition of
16 communication. So you might want to consider, if
17 you can develop kind of a more structured way to
18 get input or suggestions, that when you get

19 suggestions that are significant that you may want
20 to take the time to provide a response to that
21 suggestion. I will make up an example. General,
22 we have a real problem with tying into these

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1 existing utilities because we do not know what the
2 heck we are going to have to tie into over there
3 in Albania. Then I have to tie into it, and then
4 I have to get a permit from the Albanian Water
5 Company to do that, and that is a problem for us.
6 So my suggestion is you would make our lives a
7 whole lot easier if you would do the tie-ins and
8 have all the utilities tied in so it is on
9 property, we just tie in, we connect to what we
10 are going to connect to.

11 MR. WILLIAMS: And as long as you do not
12 have any problem with multiple contractors that
13 you said something about, I would consider that.

14 MR. ELLIS: My suggestion through, sir,
15 is we do not name names. We get a suggestion, you
16 publish the sense of the suggestion and your
17 response to it so everybody can look at it.

18 MR. WILLIAMS: This would go back to
19 everybody.

20 MR. ELLIS: Everybody.

21 MR. WILLIAMS: Yes.

22 MR. ELLIS: Everybody. We are not doing
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1 i t i n d i v i d u a l l y , w e a r e j u s t s a y i n g h e r e a r e s o m e
2 s i g n i f i c a n t s u g g e s t i o n s w e r e c e i v e d , h e r e i s o u r
3 r e s p o n s e . A n d y o u s a y t h a t i s a g o o d i d e a , w e
4 w i l l d o i t , o r y o u m i g h t s a y w e c a n n o t d o t h a t
5 b e c a u s e , b e c a u s e t h e r e a r e o t h e r c o n s i d e r a t i o n s
6 t h a t y o u d o n o t k n o w a b o u t t h a t w e h a v e t o d e a l
7 w i t h a n d h e r e i s w h y . W h e n y o u k i n d o f c l o s e t h a t
8 l o o p a n d g i v e p e o p l e t h e r e s p o n s e , I t h i n k i t
9 f o s t e r s t h e o p e n c o m m u n i c a t i o n t h a t y o u a r e
10 l o o k i n g f o r i n y o u r p r o g r a m .

11 MR. WILLIAMS: I t h i n k t h a t i s t r u e .

12 MR. ELLIS: A n d I t h i n k o t h e r p e o p l e
13 w o u l d b e n e f i t f r o m i t a s w e l l .

14 MR. WILLIAMS: Y e s .

15 MR. ELLIS: S o t h a t i s p r e t t y m u c h w h e r e
16 I s e e t h e i s s u e .

17 MR. WILLIAMS: I n o t h e r w o r d s , d o n o t
18 l e a v e i t o p e n t o d e b a t e a b o u t , b u t j u s t c l o s e i t .

19 MR. ELLIS: I t h i n k s o .

20 MR. WILLIAMS: I ' m w i t h y o u .

21 MR. ELLIS: A n d I t h i n k y o u h a v e t o m a k e
22 a d e c i s i o n . E v e r y t h i n g y o u d o t a k e s t i m e a n d

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1 resources. Having this forum takes time and
2 resources, so you have to make a call on where you
3 want to spend your resources.

4 MR. WILLIAMS: Sure.

5 MR. ELLIS: But I think that you have a
6 lot of expertise in those 19 groups that are
7 qualified to work for you and they may some things
8 that would be helpful.

9 MR. WILLIAMS: Thank you. Are there
10 other comments on this subject? This was good. I
11 think Vicky, Pat, and of course, Matt and Ralph,
12 they were able to work down two different angles,
13 several different angles, and come up with I think
14 some very useful information. We have an awful
15 lot of notes that we have taken, and I think
16 everything that you have said is umbrellaed by one
17 of the Williams 20 because the whole idea of
18 delivering a site that is ready was going after
19 the risk piece, the different site conditions
20 piece.

21 We know that as Lee pointed out that
22 there is no such thing as a perfect site, and that

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1 was never the intent.

2 We do not mean that there may not be
3 something that is there. It is a question of
4 whose risk plate it is on, and I think that should
5 be the principal concern of the partner. So I
6 think the issue that deals with our objective is
7 to deliver a site that is ready. All of this fits
8 very neatly under it with the exception of a few
9 of the other items that Matt spoke about which
10 were across the board which we appreciate. So
11 this is very helpful to us.

12 MR. ELLIS: If I could just add a couple
13 of things, General.

14 MR. WILLIAMS: Yes.

15 MR. ELLIS: I will be real brief. I
16 think that my sense is that your contractors may
17 have a broader vision of what the site consists of
18 than OBO does, and I will give you some examples
19 of what I am talking about. Probably when they
20 think about the site are thinking about things
21 that affect their operational ability to do the
22 construction on the physical site. As Matt

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1 mentioned, perhaps local ordinances, more regional
2 access, permitting issues. Some of those things
3 you may not want to include that in your site
4 preparation scope, but my point is that they may

5 see the site a little differently than you see it
6 in terms of how they think of the site.

7 MR. WILLIAMS: And we have no argument
8 there.

9 MR. ELLIS: I was just mentioning it.

10 MR. WILLIAMS: Site configuration is
11 something that we would accept some input on. The
12 issue we are trying to go after with this 20
13 because there has been so much discussion about if
14 the site is not workable from the standpoint of
15 constructability. I don't mean configuration, but
16 we are talking about things that relate to
17 different site conditions was the big one that we
18 wanted to be very clear about, and how we
19 configure the site in terms of the location of the
20 structures and dealing with the site configuration
21 that Vicky just laid out, we are open to having
22 discussions about that. But we really want to

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1 close the door on whose responsibility it is
2 relative to different site conditions. That
3 chapter is closed. That's mine.

4 Let's move now to number 5 and try to
5 clean up on that one.

6 MR. MINER: I just have a few slides
7 here, and my panel members have only had a few
8 days to review them and reflect on them, although

9 we have had a lot of discussion today that I think
10 ties into this.

11 But what Matt and Dr. Ellis presented is
12 consistent with feedback we have gotten from the
13 design- build community. More and more we hear
14 them say give us the requirements, give us the
15 goals, get out of the way and let us do the job.
16 Let us come forward with some cost-effective
17 solutions. We are Americans, too, your interests
18 are our interests. And I think that was sort of
19 the genesis of this Williams 20 initiative, let's
20 try to see to the greatest extent possible if we
21 can push this program to true design- build
22 delivery. We will debate a lot about what that

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1 word "true" means, and maybe it doesn't exist.
2 It's like the perfect site, it may not exist, but
3 we can still push towards that.

4 These slides will give you a recap of
5 the OBO brand of design-build. It is a good
6 springboard for some discussion. Marcus Hebert is
7 going to join me at the end in explaining how we
8 will be applying it to some projects in the
9 future, and Lee Evey and John Barotti will also
10 chime in and tell us more about what industry can
11 do and is doing to help us here.

12 So the overarching issue here is that we
13 are a federal agency, we have federal regulations,
14 then we have our own internal criteria, especially
15 our security criteria, that puts some restrictions
16 on our ability to go with true design-build
17 contracting. But despite that, under General
18 Williams's guidance, we have squeezed a lot of
19 juice out of this delivery method. We have been
20 very successful. You have seen the results. We
21 think we can do more. We want to hear what you
22 think we can do to get there.

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1 As for my part, I have always been a
2 champion for standard embassy designs. That is a
3 cornerstone of good design-build delivery, I
4 think, and we think we can do more there. We
5 talked about reducing the touch points and a Lean
6 program and the less that the design community has
7 to touch, maybe the better we will achieve those
8 goals. That is not to discount the value of the
9 design community, but to really address the urgent
10 and compelling nature of the work that we are
11 doing.

12 We are not pioneers here. We certainly
13 are not ground breakers. Many other federal
14 agencies have worked successfully with this. We
15 are all familiar with what the Postal Service has

16 done, the Bureau of Prisons has always had a
17 strong preference with lots of good experience and
18 ideas for us in this area. We have had meetings
19 just recently with the FAA on the construction of
20 control towers using standard design. We have
21 been in contact with the Corps of Engineers for
22 decades as well, and I think they have some

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1 outstanding achievements there, highways and other
2 infrastructure projects. We have talked about
3 water works.

4 So design-build is clearly entrenched in
5 the federal government, and it has been a mainstay
6 of ours just for about 5 years.

7 Prior to 2001, and that is the period
8 that the General described accurately as one where
9 we rolled out one, maybe two buildings a year,
10 that work was exclusively design-bid-build. Those
11 were icon buildings. That worked well. It was a
12 long, long process. We got a different call to
13 order in 2001 and we turned the switch 180
14 degrees. We now are virtually exclusively
15 design-build oriented with a few odd exceptions.
16 I know you and I worked on Moscow, there are some
17 special projects for some reasons that have come
18 down the pike, but we are 99-percent there.

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19 I wanted to just give you a laundry list
20 from my perspective of where we differ, and
21 sometimes we don't, from what industry
22 publications would describe as true design-build.

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1 There is a one-step process and there is a
2 two-step process. We use the two-step process
3 almost exclusively. And there may be some
4 opportunities for us to consider the one-step
5 process in the future. The private sector keeps
6 both options open.

7 We do prequalification, and there was a
8 lot of good discussion early this afternoon about
9 perhaps doing a little more in that area. Our
10 prequalification is in the fall, and Walter Cate
11 who is our contracting officer, he is to my left,
12 and Nick Rutherford is behind me here, really are
13 in the front seat of this vehicle, and since I
14 represent the design community, I'm in the trunk.
15 But we go out with a FedBizOpps announcement
16 asking for firms to express interest and send
17 their qualifications. That is not rushed for
18 time. That is a great opportunity to add in some
19 face-to-face meetings and some interviews.

20 We allow firms that have successfully
21 prequalified in prior years to just send a letter
22 of interest. We don't have to evaluate that, and

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1 that might be one way that we could focus the
2 interviews on firms and teams that are new and get
3 them to a point where we understand their
4 capability, get to a point where we have
5 confidence in their ability to perform, and that
6 way the numbers don't overwhelm us in terms of the
7 interviewing, so thinking and picking up on what
8 we were talking about earlier would be helpful.

9 True design-build in my mind and in the
10 courses I have taken and the books I have read
11 always talks about simple repetitive scopes of
12 work. This is great for multiplex theaters or for
13 highways or for airport runways. It's the same
14 thing over and over again, and that's why the
15 Bureau of Prisons I think locked in on it. Our
16 scope is like that, but there is a lot that isn't
17 like that. I will talk about ours in more detail,
18 but just trust me, we have some repetition, but it
19 is a highly specialized scope as well, so it's a
20 little bit of a difference.

21 Most design-build discussion often talks
22 about domestic settings, domestic products, where

1 you can count on a building community that is
2 mature, experienced, educated.

3 That is not always the case for us in an
4 international setting. You don't always get what
5 you think you are getting.

6 Both sides of the equation right now are
7 focused on U.S. codes and standards. I think it
8 has always been a hallmark in the U.S. We have in
9 our program in the last few years decided that
10 there some advantages for us to also use that as a
11 standard, as a benchmark, because we are working
12 with U.S. contractors, and I will tell you more
13 about how that is working out.

14 On the industry side, true design-build
15 usually includes some form of bridging documents
16 they're called, sometimes there are schematic
17 designs, occasionally get more detailed than that,
18 and that is what we call our standard embassy
19 designs. Those are drawings and specifications
20 that describe a prototype to be site-adapted,
21 somewhat modified for unique circumstances, but it
22 is most of the answers to the most difficult

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1 questions.

2 Design-build often in a true sense tries
3 to leverage performance specifications. This is
4 where owners describe how they want their end
5 product to perform. They do not describe
6 necessarily how you get there, what the details
7 are. We want to do more of that. Unfortunately
8 we cannot for lots of reasons we will talk about
9 in a bit. So there is a high degree of
10 prescriptive specification on our side of the
11 equation and, therefore, we are a little less true
12 design-build than we would like to be.

13 Also I think there is more of a
14 preference for a best-value award, and I have
15 heard a lot of discussion about evaluating the
16 qualitative nature of the team. We are low price,
17 and I don't mean that in a negative way. The
18 government has this terrible stigma about low
19 price. Low price doesn't always mean cheap. Low
20 price can mean best value. But we are not using a
21 formal best-value methodology in our design-build
22 program so far, and, again, we have evolved to

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1 that.

2 Also there is usually a full notice to
3 proceed. The primary benefit the books tells us
4 in design-build delivery is that you get

5 concurrent design and construction, you get going
 6 with some of the ordering of materials and
 7 foundation work and site prep while the rest of
 8 the design is coming along, and that is where a
 9 lot of the schedule compression occurs. We can
 10 only do a portion of that. We issue what is
 11 called a limited notice to proceed, and you can
 12 start some of the early construction work, but
 13 some where you really would want to get
 14 compression in schedule we are not allowed to
 15 begin because of some federal regulations.

16 Finally, and these are gross
 17 simplifications, I have heard often that
 18 construction management is often used successfully
 19 in true design-build and there was a gentleman
 20 that represents that association as we went
 21 around. From our perspective, here is our
 22 construction manager. He and his team, you have

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1 heard how they are selected, how they move around
 2 the world, how they are part of a Foreign Service
 3 community that comes with all of the
 4 infrastructure necessary to move them and their
 5 families and their belongings from post to post.
 6 And the State Department right now chooses to take
 7 advantage, to leverage that existing resource, so
 8 that is also a difference.

9 Just to elaborate a little bit more on
10 our side of the equation and explain how it got to
11 way it is, design-build did not explicitly exist
12 in the FAR, Federal Acquisition Regulations, prior
13 to 1996. That is just 10 years ago. It was being
14 done, but it wasn't being done with a lot of
15 clarity, and Lee Evey can help me explain why that
16 is or why I'm wrong.

17 MR. EVEY: You're doing fine.

18 MR. MINER: But it really wasn't there.
19 I have heard that on the local level there is
20 still a lot of resistance to design-build because
21 in some of the states and municipalities it is
22 fundamentally seen as a conflict in interest. The

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1 designer traditionally represents the owner and
2 the owner's interests, and when you put those two
3 elements together contractually, the owner is the
4 odd man out and it may be, and it has been seen,
5 as a conflict of interest. Those who have put it
6 in practice have found out that that is not always
7 the way it has to be.

8 I said earlier we are specialized and we
9 are somewhat repetitive. What is really special
10 is the fact that we have a very, very difficult
11 and sensitive classified component to our work

12 adjacent to an unclassified component to our work
 13 that, and that is not the case in a lot of
 14 domestic projects. It is in essence what shapes
 15 the standard embassy into two different wings of
 16 the building with a buffer between them known as
 17 our atrium.

18 In addition to that split, it is a
 19 mixed-used building. I tell people all the time
 20 that it is an office building, sure, but it is
 21 also a radio station, it is a restaurant, it is a
 22 travel office, and it is a branch bank.

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1 There is a mixed use in there that is
 2 not quite as repetitive as a federal penitentiary,
 3 so that has to be factored in.

4 The international setting really makes
 5 it a little more difficult than doing something in
 6 Roslyn, Virginia, as well because we have due
 7 diligence that Vicky and Patrick spoke to that is
 8 needed in terms of the permitting and customs and
 9 understanding that, and security ramifications,
 10 that says that we really can't just sort of turn
 11 the switch and say go off do it, good luck, and
 12 tell us when to come out and open the facility.
 13 We have to be a partner with you to work out
 14 agreements about importation, about VAT, about
 15 security, about being registered in the country to

16 do business, about using local labor, and we
17 welcome that, we have a lot to offer there, and
18 that does impact the nature or the extent to which
19 we can be truly design-build oriented.

20 Using the U.S. codes and standards
21 provides a benchmark of quality and cost, but
22 there is often a conflict with local custom, local

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1 practice. We want to use U.S. Products, we know
2 about U.S. labels, ASTM standards, but when it
3 comes time to change light bulbs and replace
4 critical components, we would like to be able to
5 buy them in town or regionally and not have to
6 come back to the States at a premium price, so we
7 are always balancing that, even though the
8 international building code is something that I
9 think we will continue to use.

10 With the standard embassy design I have
11 used that word "prototype" very carefully because
12 try as we may, one size can't fit all. We have a
13 very, very dynamic Foreign Service presence. The
14 space programs always are a little bit different
15 than the prototype. The sites are also very
16 different one to the other. You saw the situation
17 in Djibouti. That is the norm. That is not rare.
18 And that leads to more customization. You have

19 different grading conditions, you have different
20 solar angles, you have different access, you have
21 different views and things of that nature that
22 requires that the standard design be modified

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1 quite a bit.
2 We have certification and accreditation
3 responsibilities to the U.S. Congress about the
4 security adequacy of our designs. It is embodied
5 in a body of standards and criteria that is very
6 prescriptive. Our blast criteria, our response to
7 potential chemical and biological attacks, anthrax
8 attacks, the protection of our concentric rings of
9 defense where we have an outer ring for
10 prescreening, a building base ring for checking of
11 explosives, a hard line that then protects our
12 visitors from our workers, and then within the
13 building itself protecting our local workers from
14 our U.S. employees has to be prescriptive. We
15 cannot write a performance specification and trust
16 that you will figure out something that works in
17 each one of those layers, so not as performance
18 spec as we'd like.

19 A word on low price. This has to do
20 with the time necessary, and I explained that we
21 have 19 firms and we have 12 projects that we are
22 doing and the numbers are, do the math as they

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1 say. Also when you introduce qualitative factors
2 which are good things to do, you have to make sure
3 you have an iron-clad scoring system that we can
4 articulate to unsuccessful bidders why we do not
5 have confidence. They have confidence, why don't
6 you have confidence? Or why my confidence meter
7 is at 8 on you, and it's 10 on this one. And it's
8 eventually sorted out in the courts, and that's
9 what we want to avoid.

10 Also if we are trying to negotiate
11 price, can we say we will take less confidence if
12 you will lower your price? It gets really hard to
13 negotiate around those qualitative components.
14 It's a copout, definitely, but this is a
15 time-dependent, urgent volume build program, and
16 it will be perfect in that regard and we are
17 trying to find ways to do sensible tradeoffs.
18 Timely manner are the two key words there. This
19 can be done. It's done every day. I am not sure
20 it can be done at the pace that we're working and
21 that we need to work.

22 With notice to proceed, I talked about

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1 the need for certification prior to getting into
2 the actual physical construction of the building
3 and that usually comes around the 60-percent
4 design-development phase. We don't always pass
5 the test. Sometimes we have to go back and
6 redesign and the contractor is prevented from
7 actually getting an full NTP until we pass that
8 threshold. And the use of our own USG managers I
9 also spoke to as well.

10 The last slide is some things that we
11 are doing now that we think address some of the
12 issues. I have raised a lot of questions and I
13 want to get feedback and recommendations on all of
14 them, but here are some things where we have made
15 some progress recently.

16 One is in foundation recommendations,
17 and Ralph we should talk later about whether this
18 is the right for us to go, but it is what we are
19 doing now. We have heard for many years from the
20 contractors that you have to find a better way to
21 have us bid without having unacceptable risk,
22 unforeseen subsoil conditions, short of them going

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1 out and all doing soils investigations. So we do
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2 some preliminary borings as a part of the real
3 estate buy, we do some more detailed ones during
4 the planning phase which Marcus oversees, and we
5 have some subsoil reports.

6 Right now I am asking my engineers, and
7 they are reluctant, to make recommendations, you
8 will use a -- foundation here, the government
9 thinks that will be sufficient, or deep piles. So
10 that all the bidders bid the same condition and
11 right or wrong we have a base from which to work.
12 Then where we can we will have priced quantities
13 for various if the pile depths have to be more and
14 there is a schedule of value for that. We are
15 trying that, and this is the first year in 2006,
16 the bids are just coming in now and we will see in
17 negotiations whether it really helps or not.

18 In our interior design area and
19 architectural area, we are doing what we are
20 calling test fits. We are going beyond the
21 prototype. We are taking the shell, the standard
22 design, the footprint that we think is the end

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1 product, and we are making the spatial tradeoffs
2 and generating floor plans with furniture where we
3 can to show how we think you can best take your
4 program and work it within the fixed shell, and we

5 are willing to live with what we give the
 6 contractor. That is taking some risk off of them
 7 and it is pushing our designers a little bit
 8 further back in the equation. There are some
 9 issues with that, but, again, this is new this
 10 year. We are going to find out how it's working
 11 out. This is an attempt to move to true
 12 design-build where drawings that are given to the
 13 contractor come closer to approved design
 14 documents. That's the mission.

15 We are trying to use local materials to
 16 a greater extent and introducing performance specs
 17 to do that, identify those materials that are not
 18 security related that are regular commodities and
 19 develop performance specs in that area. Or if
 20 contractors have already submitted substitutions,
 21 local products, we think they are comparable
 22 because they meet DIN (?) standards or British

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1 standards of Japanese standards, we will do a list
 2 and say you can use U.S. products or these other
 3 international products that have already been
 4 reviewed and approved, and I think that is going
 5 to pay us some dividends.

6 I don't know why I have to keep saying
 7 this, but for some reason our design-builders just
 8 will not use enough of their predesign work.

9 Maybe they are and they don't want us to know it
 10 until after they've won the award, but I see an
 11 enormous opportunity on the number of projects we
 12 have where we have flat sites, 10-acre sites, that
 13 are pretty much rectangular. There may be some
 14 subsoil issues. And if the department can live
 15 with a program that may just be plus or minus 10
 16 percent the ideal condition, why can't we rebuild
 17 the embassy we just built in Phnom Penh in
 18 Djibouti just the way it is? It is very, very
 19 difficult to get our culture and your culture to
 20 do that. Tell me why and help me figure out how
 21 we can turn it around.
 22 Finally, we have identified some

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1 projects, Juba is mentioned here, that we think
 2 are supremely challenging, more remote than the
 3 moon with less infrastructure, less resources,
 4 less access, and we think they may be good places
 5 to do some beta testing, some test cases, for true
 6 design- build because we may not have any other
 7 option. Marcus is going to tell us about one of
 8 those, and we will open it up.
 9 MR. WILLIAMS: Thank you, Bill. I think
 10 I want to just exercise the chair just a moment in
 11 deference to our published schedule, time, and

12 possibility of inclement weather and all of that.
 13 We always end these at 3:30 for the last 4-1/2
 14 years. We are going to stay to that. It is a
 15 matter of discipline.

16 This is an interesting topic that Bill
 17 just broached. I know that Lee and John have
 18 prepared, but I would just beg you to consider
 19 this for next time together with Marcus, and we
 20 will start once again with Williams 20 number 5 to
 21 allow the other partners to participate, and then
 22 we will summarize. I would estimate this will

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1 probably take us another 30 or 45 minutes at
 2 minimum to get through.

3 We will pick up Williams 20 number 15
 4 that is the one that speaks to the whole
 5 procurement business that we talked about a little
 6 bit earlier, and then we will pick four others,
 7 and will have six on the program next time with a
 8 view toward trying to complete those. But because
 9 of the time, we do want to stop here, and
 10 obviously thank this panel and our staff who
 11 participated for this great day.

12 I do want to go around once again for
 13 the visitors who are here we do this, and I just
 14 want to make certain that there is no one here who
 15 has any kind of observation or comment that you

16 would like to make. We don't want to change the
17 format at all. You know what we do here. We make
18 certain that this is an inclusive operation.

19 So I will start over here, sir, if you
20 are okay I will just pass. Are you fine?

21 SPEAKER: I would like to make a
22 comment, General. Thank you for the opportunity.

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1 MR. WILLIAMS: Not a speech, now, but a
2 comment.

3 SPEAKER: Not a speech, a comment. I
4 see you as the owner. When I grew up there was
5 the Gold Rule, and when I got into business there
6 was a different version of that rule which meant
7 he who has the gold rules and I think there are a
8 lot of owners out here in the private sector, I
9 heard mentioned about a dozen times -- a great
10 conversation, and I think if I were the private
11 owner I think you might want to consider whether
12 or not the private owners, General Motors, General
13 Electric -- and others who do business in the same
14 area, same security concerns, same lean
15 construction objective, may have something to
16 bring to the table --

17 MR. WILLIAMS: Thank you. Excellent.

18 SPEAKER: No comments.

AAI AP-091406
19 SPEAKER: Very informative --
20 MR. WILLIAMS: Thank you. Delighted to
21 have you.
22 SPEAKER: It's very interesting. I

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1 might suggest that you try to tie in a little bit
2 of the process -- because we have asked ourselves
3 the question this is a good process for OBO, but
4 is it really design-build. And when you actually
5 compare the cost estimates that we -- our
6 proposals, you want data that doesn't exist as we
7 build our proposal. We build our proposal a
8 different way in many cases from the data you want
9 from us, and so you're getting numbers, but
10 they're usually -- true design-build. We build
11 our estimates --

12 MR. WILLIAMS: We will make sure that we
13 put cost estimating back.

14 SPEAKER: A piece of it.

15 MR. WILLIAMS: Yes, a piece of it.

16 SPEAKER: Absolutely superb. Thank you
17 for the opportunity to be here. I have just one
18 question. Is there ever an opportunity -- some of
19 these homework assignments for some of the folks
20 -- to assist the team?

21 MR. WILLIAMS: By the rules of the
22 Advisory Committee, it really has to be the panel.

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1 But this is my way of finessing and allowing you
2 to participate somewhat. The GAO knows that I am
3 very open, so we try to make certain that everyone
4 participates. I am stretching it as far as I can
5 stretch it for you.

6 SPEAKER: I'd just like to say --

7 MR. WILLIAMS: Thank you.

8 SPEAKER: General, it was a panel.

9 MR. WILLIAMS: Thank you.

10 SPEAKER: One minor comment. You asked
11 us who should attend the interviews -- consider
12 asking PB -- who he would recommend attending the
13 interview as a way to further empower him to build
14 a stronger team.

15 MR. WILLIAMS: Excellent. Outstanding.
16 That's an excellent point.

17 SPEAKER: I thought the panel did a
18 great job, very, very -- very good information,
19 and I commend the mentors. There is so much more
20 information being put out by the mentors about how
21 -- find this very helpful and very --

22 MR. WILLIAMS: Thank you.

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1 SPEAKER: Thank you.
2 SPEAKER: Another good forum.
3 MR. WILLIAMS: Thank you.
4 SPEAKER: Thank you.
5 MR. WILLIAMS: Thank you.
6 SPEAKER: Great dialogue.
7 SPEAKER: Very good. Very informative.
8 Very helpful while we are identifying ways that we
9 may deal with the Foreign Service at this stage.
10 Very helpful. Thank you.
11 SPEAKER: Superb session. Thank you.
12 MR. WILLIAMS: Thank you. Once again,
13 panel members, do you have any concluding
14 comments? I will start with you, John.
15 MR. BAROTTI: No, thank you for the
16 opportunity today.
17 MR. WILLIAMS: Good. Ed?
18 MR. DENTON: It's been fun.
19 MR. WILLIAMS: Thank you.
20 (Laughter)
21 MR. WILLIAMS: Thank you, Ed. Ralph?
22 MR. ELLIS: I learned a few things --

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1 MR. WILLIAMS: Thank you. Thank you
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2 very much. Lee?
3 MR. WALLACE: I feel like a tea kettle.
4 (Laughter)
5 MR. WILLIAMS: I usually have a pretty
6 comeback. You got me that time. Gary?
7 MR. HANEY: I think having the champions
8 at the table was very -- and I think we need to
9 continue that.
10 MR. WILLIAMS: Thank you. I got that
11 comment from several people. Steve?
12 MR. KIRK: I would love to see more
13 especially in that area, too, because it is just
14 -- all sorts of other topics.
15 MR. WILLIAMS: We are going to start off
16 with this topic with John, Lee, and Marcus, and we
17 will roll in some more. John?
18 MR. PAWULAK: I can't wait for the next
19 time.
20 MR. WILLIAMS: Greg?
21 MR. THOMOPULOUS: Great session.
22 MR. WILLIAMS: Thank you. Matt?

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1 MR. WALLACE: On behalf of the Society
2 of American Military Engineers, thank you for --
3 to participate.
4 MR. WILLIAMS: Thank you for being here.

5 From my staff. Marcus?
6 MR. HEBERT: Very good session, sir.
7 MR. WILLIAMS: Just think how prepared
8 you're going to be 2 months from now.
9 MR. McKINNIE: I'm looking forward to --
10 MR. ROWE: Let me say it -- from the
11 standpoint of hearing some of these specifics in
12 the areas that are not my prime area of
13 concentration.
14 MR. COLSTON: I'm just trying to figure
15 out a way to get an advanced degree from listening
16 to all these Ph.Ds.
17 MS. HARTUNG: This is my first Industry
18 Advisory Panel. I really enjoyed it. Thank you.
19 MR. WILLIAMS: Thank you, Vicky. Thank
20 you.
21 MR. COLSTON: Thank you everybody.
22 MR. WILLIAMS: And thank you very much.

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1 You know who the panel members are, so if you want
2 to pass some information or talk with them, that
3 would be helpful.
4 We have some that I have not had an
5 opportunity to thank, for example, our management
6 support team. Where is Robert? There are a few.
7 (Applause)
8 MR. WILLIAMS: These are the people who

9 work behind the scenes. They take care of the
10 buildings for us, if you will, that we occupy, and
11 they are responsible for security and all of the
12 things. Here are the rest of them.

13 Come on in. It takes a lot of them to
14 do that. We just want to thank you for your
15 support today. You have done so well at each one
16 of these events. It is not very easy to come in
17 and out of this building, but we thank you, and so
18 does everyone in here.

19 (Applause)

20 MR. WILLIAMS: Lastly, I talked about
21 Gina, and now the other two people on her team
22 sitting over here very quietly, Michael and

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1 Allette.

2 (Applause)

3 MR. WILLIAMS: I think most of you know
4 Phyllis who makes certain that I go where I need
5 to go every day.

6 (Applause)

7 MR. WILLIAMS: And last, again, Gina.

8 (Applause)

9 MR. WILLIAMS: And I don't need any
10 applause. I just want you to be safe and come
11 back with your head.

12 AAI AP-091406
13 (Appl ause)
14 (Whereupon, at 3:45 p.m., the
15 PROCEEDINGS were adjourned.)

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